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The American Spice Trade

SURVEY - REPORT

By

Albert H. Doolittle

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THE AMERICAN SPICE TRADE

SURVEY - REPORT

by

ALBERT H. DOOLITTLE

PREPARED FOR

THE CONSIDERATION

of the

EXECUTIVE COMMITTEE

of the

AMERICAN SPICE TRADE ASSOCIATION.

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Oct. 2, 1934 DA/HEW

THE AMERICAN SPICE TRADE

Foreword

The per capita consumption of Spice in the United States has decreased 20% since 1923. The trend curve shows a total loss of twelve million pounds of imports during this period. Over fifty percent of the individual spices are declining in popularity.

Here is a very definite danger signal to an industry with about fifteen million dollars of invested capital and probably the oldest individually owned companies in the country. Spice purchases have dropped from about 52 cents per capita in 1924 to 40 cents per capita in 1930. It is estimated that only one cent was spent for Spice out of each $4.30 spent for food in 1930. Certainly the cost of Spice is not a retarding factor.

Until recently Spice had been eagerly sought by the world at large for thousands of years. Why this reversal of public desire has occurred, and what constructive steps can be taken to check this decline, will be developed in this survey.

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Chapter 1.

FOOD TRENDS

Aspects of the Spice Trade

The Spice Trade in the United States is dependent upon foreign growers for its commodity supplies. No Burbank has ever been commissioned to graft more hardy and palate pleasing combinations to give it new impetus or dietary worth. No American Spice concerns have invested money in plantations to safeguard their source of supply. Prices have fluctuated up to 300%. Combines have risen and fallen in their effort to juggle supply with demand. Luckily the growing of Spices has been scattered as new lands have been opened up and transplanting accomplished. These have been operated by different nationalities hard to organize.

It is not my purpose to go into detail about the growing of Spices with which the majority are familiar. We have no control over that situation and are more interested in our immediate and future problems over which we can exercise an intelligent direction.

Our Spice supply being imported, we have recorded Government figures as to what comes in and what goes out of our country. If we assume that stocks on hand will average up over several years, the remainder must represent consumption. The trend from this point is a simple matter to compute, and is as nearly accurate as can be found in any industry. We must face the downward facts of our industry as a whole irrespective of a spurt in sales by some concerns and a corresponding loss by others which may not come to our attention.

The Spice Industry, in the United States, has been reaping the harvest but doing no work on the soil. A modern farmer will tell you that the fertility of land is limited and unless its nitrogen and other necessary elements are put back by various means, its successive crop yields will grow less.

To bring this home to the Spice trade in more familiar terms, it is only necessary to refer to the pepper vine. The pepper crop is not nature's gift to mankind. It is mankind's fight against nature to make it do his bidding. The yield from a pepper vine is the result of a battle against drought and blight and lush vegetation which throttles its place in the sun. Careful cultivation increases the yield. New planting keeps up the output.

The Spice trade in this country is largely one of distribution to a market which, thru neglect, has fallen off into other kinds of food habits. No concerted attempt has been made to put back into

the market soil new elements of desire which will increase the yield. The Spice trade has been content to take its levy on existing demand with the thought that as this has always existed, so will it exist in the future. This is a dangerous doctrine in these times of change and progress, of vitamins and calories, of dieticians and food faddists.

We are facing, today, a race for markets between organized industries which are ever seeking new outlets for their products at the expense of older industries which slumber. The orange growers collectively employ research and advertising to arouse not only desire, but the health necessity of fresh fruit and juices. The tomato growers, thru research, establish a parity between the vitamins in orange juice and tomato juice. They, also, cash in at the expense of older foods, and with a cheaper product. Radio liquidates the piano business, movies bankrupt the drama, automatic refrigeration kills the icebox. It is an endless procession, constantly in a state of flux -- not quite the law of the fang and the tooth, but the law of being intensely alive with vision to foresee and forestall and cooperate.

Home Trends

To visualize the future of Spice consumption, it is necessary to visit the home, the kitchen and the dinner table. The great disadvantage in this study is the lack of concrete figures, accepted by all. Certain definite trends are in evidence here which can be outlined and supported by the opinion of food experts.

A preliminary study of this situation must start with an earlier period when the home was a self-contained unit of food production, requiring little from outside except salt and spices. Spices were desirable for taste and for preserving and pickling as the different seasons made it necessary to store up for winter consumption or do without. Life was a serious business then, with continuous work during daylight, and few diversions. The young grew old fast.

From that severe picture we have seen the housewife spending less time in the kitchen. Her daughter has only a small acquaintance with cooking and the next one or two generations will have less. Home canning and preserving will decline further, while baking will slowly dwindle except in rural sections. The corner bakery, the delicatessen, the grocery, are within reach of a high percentage of our population. Their products are better than the housewife can average, they cost no more, and they involve no personal drudgery. Over 56 percent of our population now live in urban communities while the automobile brings stores and restaurants much closer to a wider circle.

This is so largely because women have become emancipated and have rightly taken a partnership in all activities. The speed of modern life with the automobile, the movie, the card table, the social meetings around the countryside, leave no time for housework not absolutely necessary. Women now strive to grow young with age.

These conditions are lowering Spice consumption, because Spice was scattered and wasted in the home, thrown out when too old, used to excess at some other times. The modern food packer and baker uses just sufficient for his purpose, and renews his supplies at frequent intervals. This reason for lessened consumption is increasing.

Changing Food Habits

Our forefathers who led active outdoor lives required, or thought they required, large quantities of food without particular variety. Various Spices changed the taste appeal of their regular diet. Today we have the vitamin, the calorie, the balanced ration, with bulk cut down from the former per capita consumption. We have fresh vegetables and fruits twelve months in the year, whose consumption has doubled in seven years, and such a wide variety of foods with different appetite appeal that the dietician and food expert is stating that Spices are unnecessary and unwanted.

As our civilization continues to become more highly organized with quicker transportation and distribution of foodstuffs which can reach us in a more natural state, this trend will increase. The new method of quick freezing which preserves the ripened product in its natural attractiveness will become widespread as means of storing it increase. Variety, according to our pocketbook, will fight for our patronage.

Opinion of the Experts

What the experts have to say about lessened Spice consumption is interesting but not necessarily final. Science bobs up every day with a newly discovered theory which supplants our earlier education. Who can say that Spices which hold the imprisoned forces of tropic sun may not contain a new element of dietary worth!

Miss Farmer's School of Cookery, Inc., Boston, Mass.

The Boston Cooking School Book is widely used in the kitchen. The edition of 1908 lists Spices as part of the ingredients of 50% of their recipes for baked desserts such as pies, cakes, puddings and cookies. The edition of 1930 devoted entirely to dess rts contains about 5% of recipes containing Spice.

Miss Alice Bradley, the principal of this school, makes the following observations: "We have such a variety of fresh fruits, vegetables and meats for every-day use that the flavor does not need to be varied by the addition of Spices. We have modern methods of keeping foodstuffs, we cook in smaller quantities and Spice is not now necessary for the preservation of food. *** I suspect that the average woman is making less pickles and that salads are taking their place, in many of which fresh green peppers and red pimentos are used. Less home cooking may also account for the decrease in Spice consumption."

Bureau of Home Economics,
United States Department of Agriculture,
Washington, D.C.

Dr. Louise Stanley, the Chief of this Bureau, states in substance: "The greater use of fruits and vegetables, the decrease of pickle making which was the largest item of home spice consumption, the decrease in spiced butters and preserves *** less cooking in the home *** all of these would decrease the use of spice."

Pratt Institute, Brooklyn, N.Y.
School of Household Science and Arts

Miss Emma F. Halloway, Supervisor: "I would suggest the possibility that general health education as carried on today discourages use of highly spiced foods; also that people in general are using more simple desserts, often substituting fruit."

Ladies' Home Journal,
Curtis Publishing Co.

"For several years nutrition experts have been stressing the importance of bland foods and have been advocating cookery which brings out the natural flavors rather than highly seasoned dishes. The teaching of this theory in home economics courses thruout the country might have some effect upon the consumption of spices. Manufacturers of "Health Foods" have also stressed this point in their advertisements."

The Trend is Plain

To add further expert opinions to these four representative sources would be largely duplication. The trend is very apparent and is getting up momentum. The decline in spice consumption on dietary grounds is accelerating rather than tapering down gradually. It has a long way yet to go, but the handwriting on the wall is becoming luminous for those who believe in cause and effect.

The country districts and suburban areas where the tempo is normal are the strongholds of spice consumption. But nearly every home has its radio, with chats to the housewife on modern food recipes and trends in the balanced meal. The home magazines read thruout the country contain articles and advertisements on the same subjects. If bland food propaganda runs unchecked and unrefuted it must inevitably make its impression of finality on the public mind.

Trade Press

The opinion of the trade press, while sometimes influenced by its advertising desires, is the next best source of information on home cooking habits. Some extracts will be quoted. The first indicates that the housewife is still the largest cake producer in the country. The second, that the percentage is changing.

Bakers Review - August, 1930

"The barrels of flour consumed in cake making are estimated as follows:

Commercial bakers	1,300,000	-- 23%
Restaurants, etc.	1,200,000	-- 22%
Housewife	3,000,000	-- 55%"

Consumer Analysis of Milwaukee Market, 1931 issue

"The increase in families buying ready baked cakes and pies in this district is shown by percentage comparison:

	Cakes	Pies
1927	*	13.9
1928	32.4	*
1929	40.5	20.4
1930	48.2	31.3

* - Not tabulated."

Advertising and Selling - February 20, 1929

A Manhattan maker of baking chocolate says that "sales of small sized cakes have been slipping - 8% in 1926, 5% in 1927 and this year (1928) it is already over 10%, with November and December to hear from. Women are doing to cake what they did to bread. They are baking less cake and buying more."

"Advertising and Selling" in 1927 stated that about 21% of the nation's meals are consumed outside of the home, and the trend is still away from the home. The Bakers Review in 1926 stated that in New York City from 1915 to 1925, the number of restaurants increased over 100%, while the population increased 13%, and that this trend of eating out was countrywide. To explain this, we quote:

"Some of the reasons for this changing trend is that thousands of women have found out that the extra cost of meals out can be more than covered by their own earnings in the time formerly given over to cooking and housework.

"Then, too, many women who still stay at home are convinced that eating out is about as cheap as eating at home. It is so simple. There is no marketing, no left-overs to be considered, no waste of food due to spoilage or injudicious ordering. On top of all this, it hardly seems as tho the restaurant charges grew quite so strikingly as the cost of food that was bought from the grocer, market, etc.

"Another reason for the growth of this eating out habit", the article states, "is the national Prohibition enactment. Many persons

who were formerly in the habit of frequenting the saloons because of their desire to see friends and to see some phase of life which stirred and interested them, are now getting into the habit of going to restaurants and tea rooms and such places, not for alcohol, but for good food and pleasant surroundings."

The Dayton News of December 10th, 1929, states: "It is estimated that one-sixth of all food consumed in the United States is now served in public eating houses. This indicated great change in the eating habits of the American people is a revolution of comparatively recent origin. A quarter of a century ago few thought of eating away from home as a regular thing. Now many are doing it. The rush of business, the stricter demands of time, the smaller homes and apartments, the entry of women into most callings and professions and lastly the improvement of the public restaurant and private club and their service, all have been factors in changing to a marked degree the eating habits of the American people. Moreover, it is a change that appears to be destined to be permanent."

The Nation's Food Bill

The cost of Spice is a very small part of the food bill. If we assume with the American Institute of Food Distribution that 21 billions of dollars was expended for food thru retail channels in 1930, and if we estimate that the consumers of Spice paid out 49 millions of dollars of this amount, based on 77 million pounds of consumption, then only one cent was spent for Spice out of each $4.30 spent for food. The ratio is so small that there can be no sales resistance because of cost. There would be none if it was doubled.

This ratio can be checked in another way. The 1930 Census of Distribution by the Government shows that in 41 towns and cities the food stores and eating places sold food valued at $170.00 per capita. By dividing the Spice bill of the nation - 49 million dollars - by the total population, we get a figure of 40¢ per capita spent for Spice. Again dividing the $170.00 per capita spent for food in 41 towns and cities by 40¢ per capita spent for Spice by the nation, we find that only one cent was spent for Spice out of each $4.25 spent for food. That these two tests practically agree may be pure coincidence. The main point developed is the relative low cost of Spice in the total food bill.

Fresh Products

These are the main competitors of Spice for the public regard, and as such their future prospects are of interest. I would like to quote from an editorial in the February, 1931, issue of "Food Distribution":

"Flavor makes the difference between food and just plain fodder. --- Flavor is the perishable property of foods. It lingers in the fine volatile oils that are found in fresh products. --- Perishable foods are increasing rapidly in the trade. New and speedier methods are being developed for rushing these to consumers in the bloom of ripeness.

Processing methods are being developed that will capture these elusive life principles in food and carry them thru in can or package. Rapid freezing is holding some of these fleeting summer flavors. Vacuum packing is no longer shooting it out with the steam. Transportation and trade methods are being geared up to make sure that delays do not lose what mechanism has preserved. The new food merchant is arriving. This new merchant is to be a master of the fine art of protecting flavor."

The stronghold of Spice has always been flavor. That stronghold is being raided as modern transportation speeds up. Some of the more popular fresh products are listed.

Fresh Peppers which are being used more widely to replace dry pepper, have increased their national volume 18% from 1924 to 1929. More fresh peppers are being consumed per capita per year than all Spices imported.

Other Vegetables - Production		1924	1929
Asparagus	(1000 crates)	5,525	9,887
Carrots	(1000 bushels)	13,834	16,799
Cauliflower	(1000 crates)	2,763	6,450
Celery	" "	6,509	8,686
Lettuce	" "	13,219	20,325
Onions	(1000 bushels)	19,242	25,867
Spinach	(1000 tons)	107	189

The sub-tropical fruits such as oranges, grapefruit, and lemons show large gains over a more extended period. Northern fruits and berries show mixed trends as their popularity gains or loses. Canned goods show gains but must inevitably lose their ground as fresh products are more widely distributed thruout the year.

Summary

These opinions and data are sufficient to show the current thought on food trends. The decline in home cooking is curtailing Spice sales. An increasing variety of fresh vegetables and fruits is doing likewise. The unchecked propaganda of food experts and dieticians is turning the public taste away from Spice. Imports and per capita consumption are falling. A declining field for sales is increasing competition among Spice concerns and no-profit sales to maintain volume are growing.

Where will the Spice trade be ten years from today?

What are you going to do about it?

Is the Spice trade worth saving?

How much is it worth saving?

-oOo-

TABULATED SPICE IMPORTS - 000 Omitted

Total Pounds, Dollar Value, Cents per Lb., Trends, Percent of Total

Order of Importance 1930 Poundage		1923	1924	1925	1926	1927	1928	1929	1930	7 Year Trend Gain or Loss Pounds	Percent	Percent of Total Imports 1923	1929	1930	All Yrs.
1. Black Pepper	Lbs.	24,935	24,381	30,814	16,658	25,982	24,428	21,804	25,600	- 1,015	- 4	24.1	23.4	30.2	25.
	$	1,676	1,843	3,349	3,376	6,032	7,353	6,194	4,743						
	Cents per Lb.	6.7	7.6	10.9	20.3	23.2	30.1	28.4	18.5						
2. Mustard Seed	Lbs.	13,871	13,450	14,062	14,755	24,325	16,048	17,656	11,828	+ 1,869	+ 13	13.4	19.0	14.0	16.
	$	682	746	787	995	1,242	858	948	576						
	Cents per Lb.	4.9	5.5	5.6	6.7	5.1	5.5	5.3	4.8						
3. Cassia	Lbs.	10,601	7,586	8,334	7,786	12,009	7,353	7,946	8,507	- 959	- 10	10.2	8.5	10.0	9.
	$	640	488	602	568	939	559	574	569						
	Cents per Lb.	6.0	6.4	7.2	7.3	7.8	7.6	7.2	6.7						
4. Caraway Seed	Lbs.	1,968	5,352	4,829	4,478	4,107	4,699	4,835	5,444	* 82	+ 2	1.9	5.2	6.4	4.7
	$	335e	636	328	300	327	359	390	379						
	Cents per Lb.	17.0	11.9	6.8	6.7	8.0	7.6	8.1	7.0						
5. Paprika	Lbs.	2,982e	4,015e	4,143	4,217	5,568	4,940	5,545	5,395	** 1,331	+ 31	2.9	6.0	6.3	5.
	$	387e	552e	671	764	1,249	916	1,090	766						
	Cents per Lb.	13.0	13.5	16.2	18.1	22.4	18.5	19.7	14.3						
6. White Pepper	Lbs.	5,049	5,052	7,214	2,703	5,137	4,186	3,599	4,961	- 1,176	- 22	4.9	3.9	5.8	4.9
	$	506	618	1,421	748	2,000	1,887	1,614	1,337						
	Cents per Lb.	10.0	12.2	19.7	27.7	39.0	45.1	44.8	27.0						
7. Nutmeg	Lbs.	4,104	3,682	4,358	3,703	4,573	4,241	4,181	3,914	+ 47	+ 1	4.0	5.2	4.6	4.2
	$	558	922	1,332	1,064	1,128	851	777	543						
	Cents per Lb.	13.6	25.0	30.6	28.7	24.7	20.1	18.6	14.0						
8. Cloves	Lbs.	7,786	5,345	6,998	6,524	5,673	5,162	3,154	3,798	* 2,934	- 44	7.5	3.4	4.5	5.7
	$	1,424	1,211	1,486	1,282	984	903	758	746						
	Cents per Lb.	18.3	22.6	21.3	19.6	16.3	17.5	24.0	19.7						
9. Ginger Root	Lbs.	5,692	5,063	4,265	4,952	3,119	3,930	3,928	3,494	* 1,391	- 29	5.5	4.2	4.1	4.4
	$	655	684	610	365	226	360	410	319						
	Cents per Lb.	11.5	13.5	14.3	7.4	7.2	9.2	10.4	9.0						
10. Pimento	Lbs.	3,614	2,482	4,114	3,037	1,926	2,435	1,963	2,140	- 1,584	- 45	3.5	2.1	2.5	2.8
	$	119e	100	260	377	279	392	424	284						
	Cents per Lb.	3.3	4.0	6.3	12.4	14.5	16.1	21.6	13.2						
11. Capsicum, etc.	Lbs.	4,451e	1,662e	2,194	1,299	1,976	3,264	3,173	1,657	** 603	+ 31	4.3	3.4	2.0	2.5
	$	378e	158e	278	161	347	501	409	158						
	Cents per Lb.	8.5	9.5	12.7	12.4	17.6	15.4	12.9	9.5						
12. Mustard (Ground)	Lbs.	1,508	1,439	1,612	1,742	1,583	1,979	1,718	1,604	+ 251	+ 16	1.5	1.9	1.9	1.7
	$	891	765	900	994	850	1,117	959	915						
	Cents per Lb.	59.	53.	56.	58.	54.	56.	56.	57.						
13. Vanilla Beans	Lbs.	941	809	946	1,152	993	1,449	1,400	1,232	+ 528	+ 62	.9	1.5	1.5	1.1
	$	2,630	4,405	5,807	2,828	1,935	2,290	1,872	1,811						
	Cents per Lb.	279	544	614	245	194	158	134	147						
14. Cumin Seed	Lbs.	902	1,645	1,476	708	1,083	1,036	991	539e	- 388	- 30	.9	1.1	1.0	1.1
	$	149e	278	170	45	95	99	99	93e						
	Cents per Lb.	16.5	16.6	11.5	6.4	8.8	9.6	10.0	11.0						
15. Cinnamon, etc.	Lbs.	1,600e	1,773	1,197	1,021	1,227	894	585	880	** 460	- 38	1.5	.6	1.0	1.2
	$	272e	308	389	413	563	408	214	149						
	Cents per Lb.	17.0	17.4	32.5	40.5	46.0	45.7	36.6	17.0						
16. Celery Seed	Lbs.	753	637	839	1,187	678	656	976	783	+ 21	+ 3	.7	1.1	.9	.8
	$	120e	155	223	205	110	104	155	116						
	Cents per Lb.	16.0	24.4	26.5	17.3	16.3	16.0	16.0	14.9						
17. Mace	Lbs.	736	740	642	703	876	657	751	682	- 9	- 1	.7	.8	.8	.7
	$	272e	348	474	417	590	462	473	340						
	Cents per Lb.	37.0	47.0	73.8	59.3	67.3	67.3	62.9	49.9						
Total 17 Items	Lbs.	91,493	85,113	98,037	76,625	100,835	87,357	84,205	83,007						
	$	11,694	14,211	19,987	14,902	18,836	19,429	17,360	13,642						
	Cents per Lb.	12.8	16.7	19.5	19.4	18.7	22.2	20.6	16.4						
Percent of Grand Total	Lbs.	88.3	85.5	95.0	89.9	90.7	89.0	90.4	97.9						
	$	86.0	87.6	96.3	91.0	93.8	94.4	93.2	95.8						
All Other Spices	Lbs.	12,094	14,475	5,295	8,614	10,367	11,042	8,897	1,791						
	$	1,945	2,017	724	1,486	1,252	1,159	1,270	604						
	Cents per Lb.	16.1	13.9	13.7	17.3	12.1	14.4	14.3	33.7						
GRAND TOTAL	Lbs.	103,587	99,588	103,332	85,239	111,202	98,399	93,102	84,799e	-12,400	- 12				
	$	13,639	16,228	19,811	16,388	20,088	20,588	18,630	14,247						
	Cents per Lb.	13.2	16.3	19.2	19.2	18.1	20.9	19.2	16.9						

Explanation of Symbols:- e - estimated; * - 6 years; ** - 5 years.

Chapter 2.

SPICE TRENDS

The definite statements of Spice decline in the preceding chapter will be supported by table and chart as a permanent record for the Spice trade. To check with the classification of Spice by the Department of Commerce, certain seeds commonly handled by the Spice trade will be omitted, and only seventeen of the major Spice products will be reviewed out of twenty listed by the Department. The three Spices omitted are Cardamon Seed, Pimentos and Tonka Beans. These will be included in the All Other Spice figures.

The year of 1923 has been taken as the initial year in the series, because many individual Spice figures are not available beyond that date, and the period from 1923 to 1930 is closely related as a post-war era of industrial progress and economic thought. The eight-year figures this period furnishes are sufficient to definitely determine the trends of today and the near tomorrow.

Tabulated Spice Imports

The basic table of this series is headed "Tabulated Spice Imports", and consists of the Department of Commerce figures brought together for reference. The arrangement of the different items is by the order of their importance by weight in 1930. If dollar value had been used, the arrangement would vary.

Value

Below the pounds imported (given in thousands of pounds) is listed the total value of that item as reported by the government. This is also given in thousands to conserve space. Dividing the dollar value by the pounds imported gives the third item - cents per pound average value for that year.

7 Year Trend

At the right of this table is a 7 Year Trend column which is the resume of the individual trend charts in following pages, and can be explained here. To find a trend line for a series of figures, the normal equation of least squares is employed. This equation was sent to me by Professor Frederick C. Mills of Columbia University, who lists it in his textbook on "Statistical Methods". The equation gives the average point for each year, and shows the actual trend gain or loss of the series. The trend points do not, as a rule, coincide with the actual points as the whole series is mathematically averaged. It can be relied upon.

The trend indicates what has happened in the past and what will continue to happen under similar conditions. It is the Statistician's globe of crystal which reveals the future unless new conditions come into play. It is not perfect, but it is the only means available and in the majority of cases works out to schedule.

In several products the full seven years have not been taken, because abrupt changes between early years and the more uniform rate of later years would distort the trend unduly. Cloves were too high in 1923 and Caraway Seed too low for the present trend. Where estimated figures have been used in early years they also have been omitted as not being exact, altho exact figures are not available. No trend is shown for dollar value, as this period was one of rising prices and is not a full cycle. The trend gain or loss is by plus or minus sign in thousands of pounds. The trend percent gain or loss is indicated in actual figures.

Percent of Total

On the extreme right of this table are four columns showing Percent of Total Imports. It represents the importance of the different Spices in the total poundage. It is misleading as regards 1930, because the group amount of All Other Spices was abnormally low in 1930, which increased the percentages of the individual products somewhat. The average percentage importance of the Spices for the entire period is shown in the last column.

The Spice Cycle

A chart or table is of no use unless it teaches something. The imports of over fifty percent of the commodities shown are declining, as brought out in the trend column. If this table was carried back to the 1918 - 1922 period, the combined black and white pepper imports would show a trend decline of 19% for that period, due largely to the imports of 1918, which amounted to nearly 49 million pounds. During this same period cassia declined, while cloves, nutmegs and mustard seed increased and ginger root was stationary.

In that period the government threw many items into the All Other group. This group comprised over 16 million pounds in 1918 and nearly 14 million pounds in 1922. The trend is slightly down.

Perhaps a comparison of equal interest lies in the fluctuating price per pound of the different commodities. There appears on the surface a cycle of about eight years between the lows or the highs of Spice value. I speak with great caution and with no desire to be authoritative on this subject.

In the period of 1910 - 1914, the government figures show 12.4 cents per pound value for all Spice imported. In 1913 this value was approximately 9.5 cents and was probably on the decline from 1910. During the war years no official figures are available, but the price of pepper climbed steadily and we can visualize a much higher general

level reaching its maximum from 1919 to 1920 and hitting the depths in 1921 to 1923. From data believed to be reliable, the cents per pound value of all Spices imported for six years previous to our tabulated chart were about as follows:

1917	1918	1919	1920	1921	1922
14.0	15.4	17.4	21.0	10.8	11.7

The swings of individual Spices can be traced to some extent over this period by certain indicators shown in cents per pound:

	1913	1919	1921	1928
Pepper	10.0	16.2	7.8	32.4
Ginger	5.1	12.0	9.2	9.2
Cassia	8.0	10.5	5.3	7.6
All Others	10.4	16.0	7.2	-
Cloves	-	25.0	16.4	17.5
Nutmeg	-	18.4	10.5	20.1
Mustard Seed	-	8.8	4.0	5.5
Total Spice	9.5	17.4	10.8	21.0

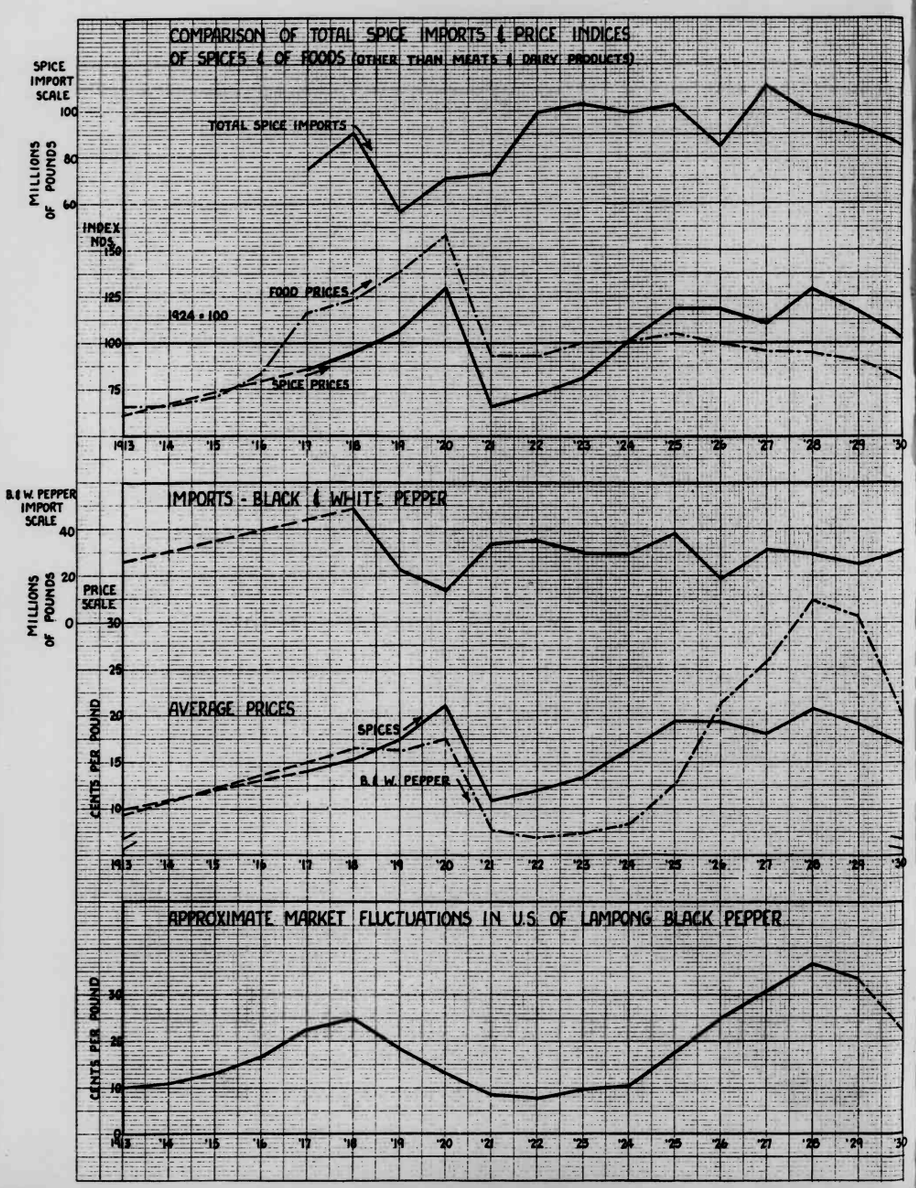
The cycle was low from 1913 to 1914, again from 1921 to 1923, and if this continues will be low from 1930 to 1931. The large tabulation shows that the average per pound in 1930 had receded to about the average for 1924. If all factors run true to form, we can expect for 1931 as compared to 1930 that:

1. Total pound imports will be higher, as they were below the normal.
2. Imports of pepper will be lower, as they were above the normal.
3. Imports of mustard seed will be higher, as they were below the normal.
4. Average price of all imports will be lower.
5. Average price of pepper will be lower.

Comparison of Total Spice Imports Chart

On this chart is plotted the Total Spice Imports from 1917, which is as far back as we can go at present. Below are two price index curves, based on 1924 as 100%. One of these represents Food Prices with meats and dairy products eliminated, the other represents Total Average Spice Price per Pound. The Spice price index curve follows the Food index curve up to 1923, when the great increase in pepper prices is out of line with food values.

As a general rule, when Spice prices go up the imports fall, and when prices fall imports increase. This can only be relative,


COMPARISON OF TOTAL SPICE IMPORTS & PRICE INDICES
OF SPICES & OF FOODS (OTHER THAN MEATS & DAIRY PRODUCTS)
SPICE IMPORT SCALE
MILLIONS OF POUNDS
TOTAL SPICE IMPORTS
INDEX NOS.
1924 = 100
FOOD PRICES
SPICE PRICES
IMPORTS - BLACK & WHITE PEPPER
B & W. PEPPER IMPORT SCALE
PRICE SCALE
CENTS PER POUND
AVERAGE PRICES
SPICES
B & W. PEPPER
APPROXIMATE MARKET FLUCTUATIONS IN U.S. OF LAMPONG BLACK PEPPER

however, because with sustained high prices, stocks in consumer hands become exhausted and must be renewed.

Imports - Black & White Pepper

On this chart is contrasted the actual average price per pound of black and white pepper combined, together with the average price of all Spice imports. Above is plotted the actual imports of the combined peppers. From 1918 to 1920 we note the decrease in imports as pepper prices advance and the jump in imports in 1921 - a depression year - as prices declined. This chart shows very clearly the great advance in the price of pepper beyond the average of all Spice import prices, which seems peculiar to pepper and will be discussed. The two high price points of pepper and all imports are shown in 1920 and again in 1928. The low points are 1913 - 1914, again in 1921 - 1923 or 1924, and probably in 1931.

Approximate Market Fluctuations in U.S.
of Lampong Black Pepper

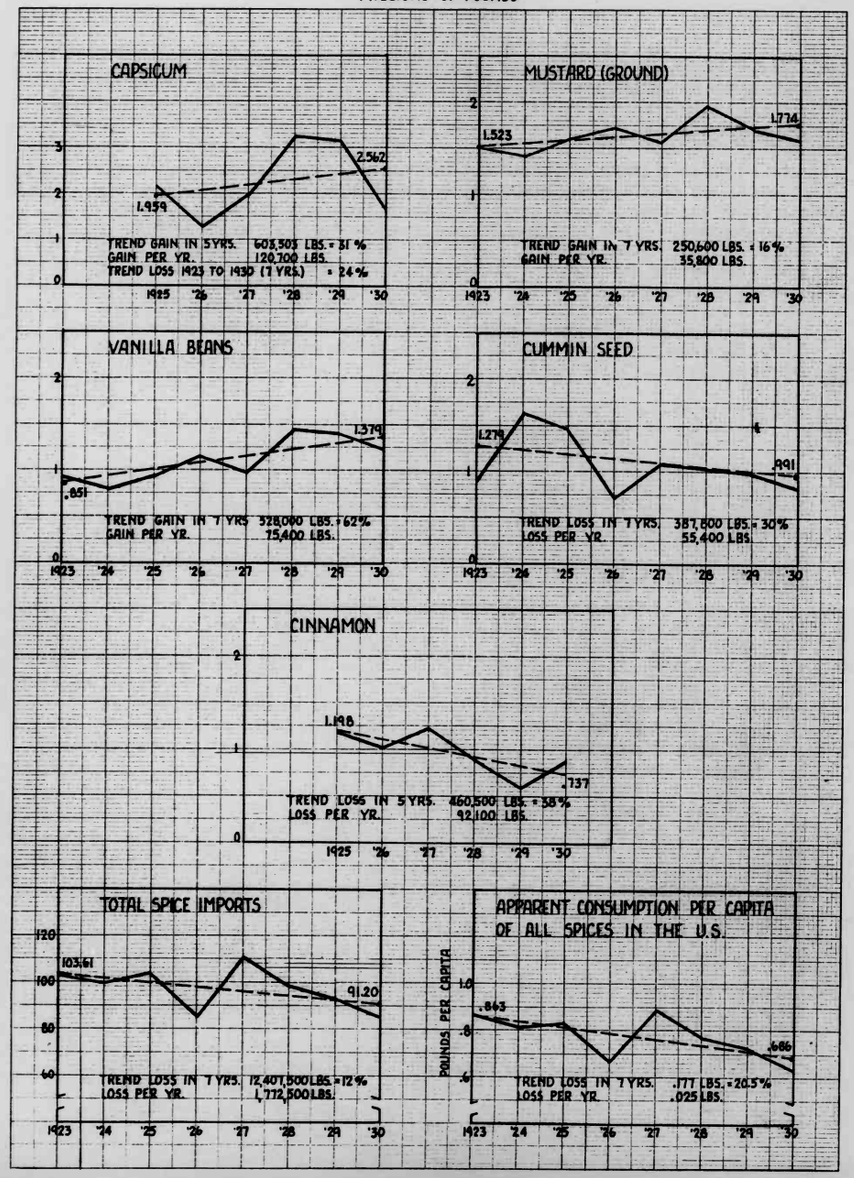
These average prices were secured from the buying records of one of our members, and cannot be guaranteed. They simply show the regularity of the cycle which, on this particular commodity, has a nine to ten-year swing.

Cause of Pepper Cycle

The high prices of pepper during the war years did not wholly benefit the native grower, but were partly due to high shipping costs, insurance and other transportation difficulties of that period. The pepper production, however, was ample, and with climbing delivered-prices the American distributor laid in large stocks to safeguard against further increases and uncertain deliveries. This reached its peak in 1918, when imports fell off sharply to the 1920 low point, and prices hit bottom the following year as surplus stocks and production were more than consumption required,

With pepper at very low prices, the native growers and small plantation owners had no incentive to put labor and money into maintaining production at a practical loss. Rubber or coffee may have offered better returns and claimed their time. This may be more true of the Muntok section than the Lampong district, but it must have had some influence generally. With three years of low prices, planting, cultivation and production would suffer, and in 1924 we see the upturn in price as consumption overtook production and the surplus shrunk. This is quite evidently true, as 1924 was an exceptionally favorable climatic crop year for pepper in general, and had the operations been normal in volume it would have created an over-supply which would check the rise in price.

The rise in imports in 1925 reflects the 1924 bumper crop which was quickly absorbed, leaving little to come into the country in 1926 - a poor crop year. From 1926 to 1929 pepper made new price records,


IMPORTS
MILLIONS OF POUNDS
CAPSICUM
1.959
2.562
TREND GAIN IN 5 YRS. 603,305 LBS. = 31 %
GAIN PER YR. 120,700 LBS.
TREND LOSS 1923 TO 1930 (7 YRS.) = 24 %
1925 '26 '27 '28 '29 '30
MUSTARD (GROUND)
1.523
1.774
TREND GAIN IN 7 YRS. 250,600 LBS. = 16 %
GAIN PER YR. 35,800 LBS.
1923 '24 '25 '26 '27 '28 '29 '30
VANILLA BEANS
.851
1.379
TREND GAIN IN 7 YRS 328,000 LBS. = 62%
GAIN PER YR. 75,400 LBS.
1923 '24 '25 '26 '27 '28 '29 '30
CUMMIN SEED
1.274
.991
TREND LOSS IN 7 YRS. 387,800 LBS. = 30%
LOSS PER YR. 55,400 LBS.
1923 '24 '25 '26 '27 '28 '29 '30
CINNAMON
1.198
.737
TREND LOSS IN 5 YRS. 460,500 LBS. = 58 %
LOSS PER YR. 92,100 LBS.
1925 '26 '27 '28 '29 '30
TOTAL SPICE IMPORTS
103.61
91.20
TREND LOSS IN 7 YRS. 12,407,500 LBS. = 12 %
LOSS PER YR. 1,772,500 LBS.
1923 '24 '25 '26 '27 '28 '29 '30
APPARENT CONSUMPTION PER CAPITA OF ALL SPICES IN THE U.S.
POUNDS PER CAPITA
.843
.686
TREND LOSS IN 7 YRS. .177 LBS. = 20.5 %
LOSS PER YR. .025 LBS.
1923 '24 '25 '26 '27 '28 '29 '30

because the efforts to get back into normal production as prices soared required about five years for vine maturity, from 1924 or 1925. This completes an eight-year cycle, and is somewhat similar to the previous eight years.

Two factors which can influence the price situation are climatic conditions and the ability of European interests to buy and hold pepper on speculation. Where production and consumption are balanced, it is possible to boost prices by withdrawing several thousand tons from the market and thus create an artificial shortage. This may have been accomplished in recent years to account for the extreme highs experienced. A bumper year, however, deflates such a movement and the losses are heavy.

That the Spice cycle will keep on repeating itself, however, is by no means certain. The modern industrial method of hand-to-mouth buying has changed conditions and should steady the market. This system, which is so practical in conserving invested capital, has been made possible by the clocklike regularity of steamship arrival on schedule. Today we publish the steamer time-table and know each port of call. Formerly it was necessary to lay in huge stocks of Spice as a shock-absorber for non-delivery periods. Then the well-stocked plant could buy or leave alone as desired by the price situation. I believe the present arrangement to be far better for the producer, the Spice broker and the Spice grinder. Unless all concerned in the Spice business make a fair profit on their time and capital they will experience the uncertainty and disarrangement which always accompany unbalanced conditions.

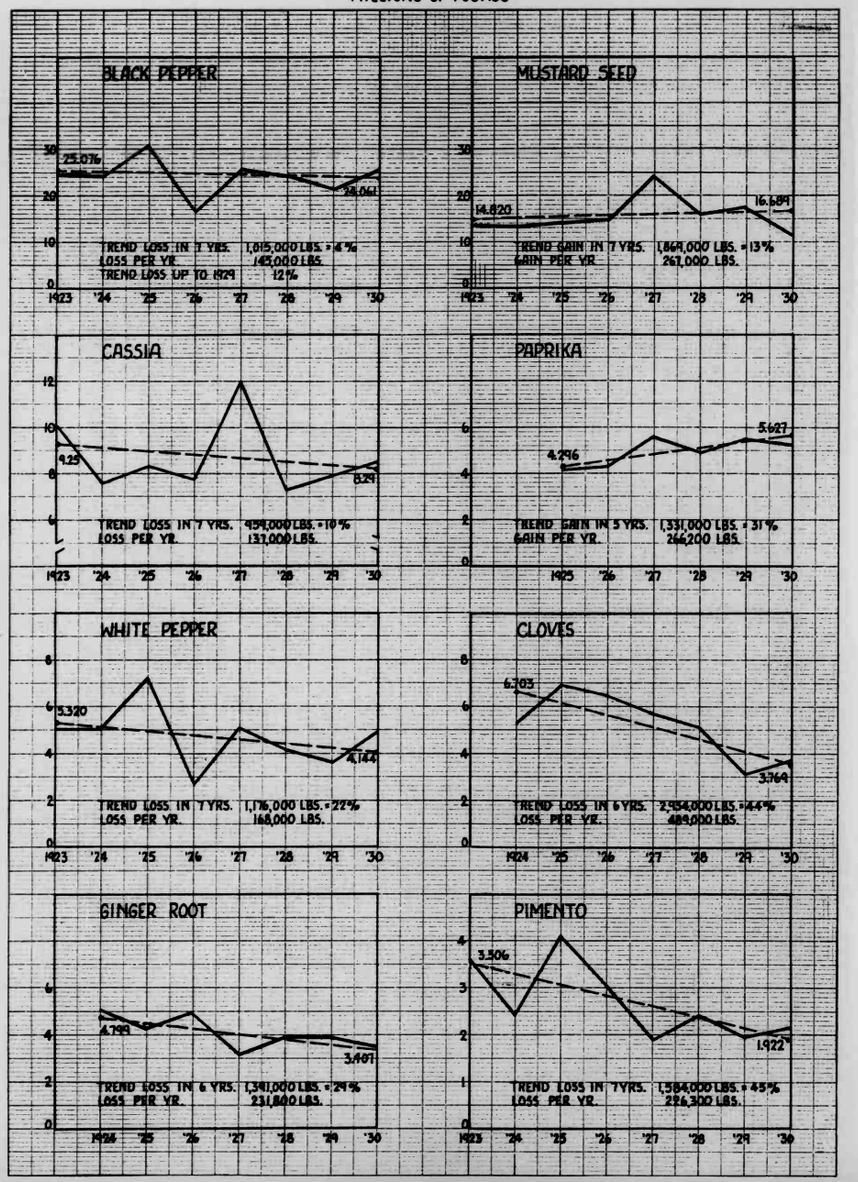
Consumption per Capita

The accompanying table covering the period from 1923 to 1930 is derived from government figures, except the item of Re-exports for 1929 and 1930. Unfortunately the government has discontinued the collection of these items by pounds, but from the dollar value available an estimate can be worked out. A variation of 10% in these figures has practically no effect upon the consumption per capita.

Apparent Per Capita Consumption of Spice
In Thousands of Pounds

Year	Imports	Exports	Re-Exports	Consumption Total	Consumption Per Capita- Lbs.
1923	103,587	1,843	6,044	95,701	.865
1924	99,588	1,790	5,920	91,878	.819
1925	103,332	1,172	5,605	96,555	.837
1926	85,239	1,081	6,054	78,104	.667
1927	111,202	1,506	4,423	105,272	.890
1928	98,399	1,679	4,543	92,177	.768
1929	93,102	1,914	*3,532	87,660	.722
1930	84,799	3,068	*4,481	77,250	.629

Note - * = Estimated.



Per capita consumption is derived by dividing the pounds of Spice consumed by the government's estimate of our continental population for each year. (The population figures are not shown, as they are readily available to anyone.) It is necessary to ignore stocks on hand or carryovers at the end of each year for two reasons: 1st, these stocks are not definitely known and - 2nd, they will tend to average up over a series of years and can be disregarded.

It must be borne in mind that the population is increasing yearly, and a commodity which is holding its own in sales will show losses in consumption per capita. On the other hand, a commodity which does not grow with population and wealth is not in a healthy condition. The Spice trade is going down, while population figures go up, thus opening a wedge which will grow larger under present conditions. The year of 1930 shows an abrupt drop, which is somewhat abnormal and may be recovered to some extent in 1931 or 1932.

Trend Charts

The accompanying trend charts of certain major commodities are self-explanatory and should be studied. The actual variation of each year is shown in one curve. The mathematical trend line is indicated by the long dash and its effect upon the series noted. Commodities which do not show much change are omitted.

Alongside of the Apparent Consumption Per Capita chart is shown the Total Spice Imports from 1923 to date. If we go back beyond 1923 and take in any number of previous years, our trend line will change from downward to upward and it would appear that the Spice trade is forging ahead.

It must be remembered, however, that from 1914 to 1922 the world was far from normal, and our food habits were largely changed by necessity. Commencing in 1923 we settled down to work again, our lives became normal, and we entered upon a progressive period which ran for nearly seven years before the break. During this period practically everything furnished to the consumer made progress and profits, and if the consumption of Spice was increasing it would most certainly show it under these favorable conditions. As it decreased against the upward trend of that period, there is only one conclusion to draw. The period from 1923 and not from earlier years gives the correct picture of the Spice consumption of today and tomorrow.

It would be of great interest to study each individual Spice trend separately and work out the reason why it is going up or down. This would call for an analysis of its consumption by classes of trade and reasons for use. I believe this can be done in time, so that forecasts on different items will tell us how to counteract the decline or accelerate the increase. At present, however, I can offer no further comment on the individual items except as shown by the trend. The real progressives in the Spice list are -

Vanilla Beans,	62% gain;	Mustard, Ground,	16% gain;
Paprika,	31% " ;	" , Seed,	13% " .

Capsicum shows a decided loss if taken from the 1923 estimated figure, hence cannot be definitely classified as a progressive.

Summary

This chapter gives you a picture of your industry, which is highly important. What has transpired during recent years will repeat itself under similar conditions. Your industry has lost twelve million pounds of Spice consumption in eight years. I see no reason why it should not lose another twelve million pounds in the next eight-year period, unless you take drastic action to work together for the common good. No one concern is large enough to do this job. It requires a united industry, thoroly alive to its danger made manifest by cut-throat price competition, to hold declining outlets. Taken in that spirit, your industry should work to regain that lost tonnage. From sixty percent of operating capacity you can increase to the point where you suddenly find the price situation solved, the profit margin restored, and chaotic conditions made orderly. Low prices, terrific competition and grasping competitors are not primary factors of an industry's decline. They are merely effects of fundamental causes which must be understood before corrective measures can be applied. These fundamental causes have been outlined in the previous chapter. They should be thoroly studied.

-oOo-

Chapter 3.

SPICE GRINDERS' OPINION

The most interesting phase of an industry study is the opinion of the leaders of that industry. They are the men who make or break the possibilities of doing business under the favorable conditions of increasing markets, better standards, and larger profits thru efficient administration.

The answers to the questionnaire sent to all of the Spice Grinders, both members of this Association and non-members, represent a decided majority of the tonnage of the Spice trade. I have no quarrel with the minority who replied but declined to answer for various reasons. Few in the trade had ever heard of me, they were not sure of my motives or of my ability to utilize the information it would take some time for them to prepare. In some former cases they had suffered from too much frankness under misplaced conditions. These thoughts are inevitable in any industry composed of average men.

Opinions are the mirror of an industry and in holding up this mirror for all to see I have only one motive which runs thru all of this Survey - that of making the Spice world a better place in which to live and work for all of us. What you say about yourselves has been sent to me in confidence as to its source, and this confidence will be respected. I present your opinion to the best of my ability and will only add such comments as I believe to be sound.

I.-1. Greatest Evil

Two-thirds of the Grinders place price-cutting as the greatest evil in the trade. Twenty percent of these attribute this to a "lack of knowledge of actual costs insofar that all the overhead costs are not taken into consideration". "Selling at a knowing loss on replacement value." "Below the cost of production sales". "Playing one seller against another".

The lesson this teaches is plain. In order to know actual costs a standardized cost system is imperative. Few merchants will voluntarily lose money continuously if they know the truth.

About twenty percent list low quality, adulteration and spice substitutes as the greatest evil in their opinion.

The first two reasons are annoying, but they are temporary. No concern which plans to perpetuate itself can do so on this foundation. Spice substitutes, as has been proven, do not give or retain the quality of flavor obtained from natural spice.

About ten percent list the lack of confidence in the trade. As one member states, "Lack of cooperation among manufacturers, particularly in reference to trade practices and the prevalence of mutual distrust which should not exist among civilized people".

This statement is so basic in character that its discussion will be left for the entire fifth chapter.

Other comments refer to "various sized containers" and to the "cost of distribution". Both of these can be helped by a united Association.

Before leaving this initial question, let me refer once more to the major issue of price-cutting, which is not a cause but rather an effect of current conditions. Where you have an industry operating at about sixty percent of capacity, whose markets are shrinking, whose efforts to maintain tonnage are increasing the costs of distribution, there you will find price-cutting to maintain volume in the hope of making overhead expense. In other words, as costs go up, prices come down. How long this can continue is beyond my ability to state.

-oOo-

I.-2. Other Evils

In attempting to list the replies to this question, I feel like the Grinder who states "So many individual ones that they are too numerous to mention". As they cannot well be classified, certain sentences will be selected and submitted as typical:

1. Extra discounts and unwarranted advertising allowances.

2. Selling one commodity as a bait for others.

3. Overlapping of territories on bulk or unadvertised brands.

4. Overloading the small trade on deals which force them to take slow-moving articles.

5. Selling retail merchants on basis of jobbers' list.

6. Use of Spice as bait by jobbers of butchers' and bakers' supplies.

7. Selling of pepper shells to unscrupulous dealers to be used as a competitive weapon.

8. Unnecessary speculation in the pepper market by grinders.

9. Too much direct selling by importers and agents to small handlers.

10. Future selling at low prices.

11. Apparent disregard for quality if price can be used to get business. This policy tends to limit the use of Spices.

12. Guarantee against decline.

13. Free deals.

14. Competition packing Spice in fractional ounce cans.

15. Insincerity in conversation with competitors and at open meetings.

These cover the main complaints with variations unnecessary to list. Price cutting is very much in evidence thruout the other answers, which picture an industry loosely joined together, working hard for today without much thought about tomorrow. No one can be censured for trying to make the best living his opportunities will permit, but when he debases his industry for momentary advantage, he may not kill the goose that lays the golden egg, but he certainly is starving it into a non-productive condition.

I.-3. Research to (a) Improve Product
(b) Combat Substitutes
(c) New Sales Outlets

The answers to these questions were, on the whole, very satisfactory, because the burden of maintaining research departments can only be carried by large concerns. Sixty-two percent of the replies were doing some work on improving their product in laboratory or in processing.

Only fourteen percent were doing anything to combat Spice substitutes, as many stated that they have experienced no competition from synthetic or liquid substitutes. Others state this is an Association job, to which I agree.

Some thirty percent were making special efforts to find new sales outlets, altho some of these were trying to invade fields new to them but already supplied by others.

Research is the life-blood of all business. As tastes and habits and conditions change, the cry is always "Off with the old, on with the new", and to keep abreast of this constant flux requires searching study. One hundred concerns can collectively much better afford to do this than separately. The overhead cost per unit of sales would be far less and the duplication of effort would be eliminated. It is the function of the strong Trade Association.

I.-4. The Trend of Consumption

Forty-three percent believe that the Spice consumption per capita is downward in the United States. Twenty-nine percent believe it to be upward, fourteen percent say it is stationary and fourteen percent have no opinion on this important subject. These answers are about the average to be found in most industries. Those who believe the trend is upward may be handling products which are growing in consumption, hence their belief is sound but limited.

Few executives have the time or the ability to study their industry as a whole, and not so very many are even interested in it. That is another function of your Trade Association, which should keep you supplied with the progress and its interpretation of Spice trade trends.

I.-5. Future Trend

Regarding the future trend of Spice consumption, forty-three percent believe it will be upward, twenty-four percent believe it will be downward, and a like number have no opinion on the subject. Nine percent believe it will hold normal. Let us see some of the reasons:

1. Eventually will grow with population.

2. The trend will be upwards due to the great variety of fancy foods constantly being offered and the publishing of recipes.

3. Upward on account of increased use of Spices.

4. We believe the future trend could be made to be upward by the proper kind of advertising, both individually and as a body.

5. Upward, due to wider education and improved living conditions, etc.

6. Downward, because of lessened consumption of rich foods for several years.

7. Downward, because of modern packages and modern housewives.

8. Downward, because of improved quality of commercial condiments.

9. Downward, because housewives do less cooking, with attendant wastage - they buy spice-flavred products already made.

10. We can see no definite trend either upward or downward.

11. If I knew the answer I should become a millionaire.

A difference of opinion keeps the world from becoming dull in its thoughts and pleasures. Business, however, which should safeguard invested capital and dividends, which should protect the jobs of its employees and maintain prosperity, should seek out the available facts wherever possible and utilize them. Again your Association is the logical place to carry on this work for the benefit of its members.

In reading some of the answers to this question, I gathered the opinion that it was not considered of importance, or had been given little thought on the theory that "tomorrow will take care of itself". It was, in fact, probably the most important question listed, because the Spice trade consists of old line houses which for generations have controlled this business and for generations to come hope to continue. There is little turnover in the business. New companies do not spring up with an improved product and force others out. The trade is almost a closed corporation.

Modern invested capital wants to know that it is in a safe business that will return a suitable reward, hence it employs surveys. Perhaps my own experience in producing about forty of these for one of the largest chemical combines in the world will illustrate. This concern, with about one hundred million surplus, would not think of risking any of that amount on a venture without a thoro preliminary study of its chances for success. The past, the present and especially the future factors were carefully analyzed and the reasonable return on the investment for the next five or ten years were set up. The majority of my surveys pointed out pitfalls rather than opportunities, and avoided possible losses. A million loss to that concern meant less than a much smaller amount to the Spice trade, but was much more carefully guarded.

Surveys are sometimes ridiculed as being too theoretical for practical, everyday business. For those who know their benefits in conserving capital and paying dividends, who note the list of business failures and capital losses from lack of thoro knowledge as to what the future trend may be, it is a solemn warning that we cannot know too much about the elements which make for efficiency and success.

Vision, the broader viewpoint, seeing beyond the immediate transaction, working for your industry to promote your own business - how many of us can qualify with these fundamentals?

I.-6. Opinions on the A.S.T.A.

The answers speak well for the past activities of this Association. The members believe that their contacts with their competitors thru the Association meetings have been most helpful, but twenty percent feel somewhat like the following:

"A.S.T.A. chiefly of value to importers, as it provides a medium of settling claims by arbitration. Spice Grinders' Section has never functioned properly, possibly due to lack of cooperation on the part of certain grinders."

Another member sums up the general feeling as follows:

"We feel that the A.S.T.A. could become a valuable organization if the members could be brought closer together."

This statement is very true. It has not been accomplished in the past because the Association is composed of average human beings who prefer to go it alone as long as conditions are not too bad. Only a common danger of magnitude brings people of different opinions into a compact group for mutual self-protection. I believe that condition exists today. It has been sensed by the trade, but definite data has been lacking to show that they must be "brought closer together". The first two chapters of this Survey outline that danger.

Sales Data

It is not my intention to list each one of the questions of the questionnaire, as there were twenty-eight in all, and some were not answered with sufficient thoroughness to warrant a definite conclusion. Your Association should have records from each member, showing the distribution of tonnage by bulk or package, and by classes of trade. The dollar value should also be given, so that the importance of the Spice Trade can be more closely estimated. These records are confidential to the paid Manager of your Association, who should be selected for his integrity and given your full confidence.

In reply to the "Estimated percentage of sales used in home cooking", the answers range from twenty to ninety-five percent. I have taken an estimated sixty-seven percent as being the nearest to the average that can be determined at this time. This figure was used in estimating the amount paid by the public for Spice.

There seems to be a pronounced selling season in the Spice trade which coincides with the late summer and fall canning, pickling and preserving period. This put-up food, which is destined to be consumed during the next year, requires all of its Spice at the time of preparation. The holidays in November and December, with their rich puddings and pies, add their weight to the fall sales. Some answers report no pronounced selling season.

The majority report that their salesmen are compensated on a salary basis, altho many add a bonus and a few are on commission, only. Most of these salesmen sell Spice along with other grocery lines. Thirty-three percent establish quotas for their salesmen to shoot at, and it is surprising to note the extent of territory - the overlap and duplication of travel and freight - of too many of the Spice houses. I believe this condition is of long standing in the trade, especially where Spice is a minor item among other widespread selling lines. That it is an uneconomic practice goes without saying, and it seems to be growing as greater efforts are being made to retain sales volume in a declining market irrespective of the costs of distribution.

Fifty-seven percent of those answering do nothing to help the retailer with merchandising aids. One-third of these sell the majority of their tonnage in bulk, and have no great incentive along this line. Some others are packaging private brands for others to market and advertise. This angle of the merchandising question calls for further detailed analysis and constructive suggestion. Forty-nine percent do no advertising to promote consumer sales, and the above remarks apply in general to this phase of merchandising. About ninety percent are making no unusual merchandising efforts of any kind.

The general cash discount on Spice sales averages as follows:

Whole bulk spices,	1/2 of 1% -	10 days,
Ground bulk goods,	1% -	" " ,
Ground package goods,	2% -	" .

A majority of purchasers take the discount and the losses from bad debts range from one-tenth of one percent to one-half of one percent. These are not excessive, and give no cause for alarm. I believe a standard discount practice as shown above should be suggested for uniform adoption.

Administration

In answer to the question as to the trend in sales volume experienced during the past eight years, fifty-seven percent of the replies stated that this has been upward. This is somewhat puzzling, in view of the known facts, if these replies are quoting accurately from records. I believe some of them were quoting from memory, with a few items in mind whose progress has been upward. Twenty-nine percent stated downward, and the balance were non-committal. This question was difficult to a few concerns who do not get out comparative yearly statements whereby they can note their progress and set up mental quotas for improvement. Comparisons are vital in business. Nothing can be good or bad unless compared with some measuring level.

The normal rate of capital turnover per year ranges from one and a half to eight times and can be averaged at five times per year, until more accurate figures, based on value, give a weighted average. Twenty-nine percent did not answer this question, and some stated that it was difficult to separate their Spice business from other lines in regard to capital investment employed.

By using this five times turnover per year for the grinders, and adding an estimated figure for other branches of the Spice industry, I have estimated a capital investment in the Spice trade of fifteen million dollars. This figure is preliminary, and subject to correction as better information becomes available. It is important to establish such a figure to lend weight to our collective requests on legislation and government aid. If we must admit that we do not know what the Spice trade represents in money, employment, taxes and volume, we are quite likely to be turned away with the request for these things before claiming we need help.

The normal rate of operation of Spice grinding plants ranges from twenty to eighty-five percent. Nearly one-third of the replies could not give this information, but of those who did, two-thirds were operating under 65% capacity and one-third ranged from 70% to 85%. In taking an estimated average of 60% I believe that I am high and that more accurate information will not exceed 50% of rated capacity for the industry as a whole.

In this respect the Spice trade is much like other industries which are going thru a temporary business depression and trying to maintain some semblance of volume to carry their large capacity overhead without much thought of profit on their operations. Other industries have the assurance that if the temporary storm can be ridden, fair sailing weather will fill their capacity sails. The Spice trade, however, can see no prospect of using their excess capacity under current conditions

and, in fact, will probably add to it. It is a liability until you make it an asset.

Fifty percent of the replies operate a perpetual inventory system. The inventory turnover varies from three times to twelve times per year. Ninety percent of the replies answered this turnover question as follows:

3 to 5 times - 21%
6 to 8 times - 59%
10 to 12 times - 20%

The average appears to be seven times a year, and is probably increasing rather than decreasing due to regular steamer schedules and the modern efficiency of capital turnover. If you should go to a banker for a loan, these two questions would be prominent. Without a perpetual inventory system you cannot quickly tell your assets. With your capital tied up in excessive stocks which may depreciate in market value, you may not get your loan.

The Spice grinder who finds it necessary to buy low and sell high in order to show a profit is not properly merchandising his product. He is side-stepping the task of putting his house in order along modern lines of economy of operations. It is only a question of time when he will guess wrong and his banking creditors will say that the Spice business is hazardous. Buy only what you can sell at a profit on the purchase and turn your inventory over as often as possible. Know where you stand at all times.

Twenty-percent of the replies use the standard cost system sponsored several years ago by this Association. One says, "Yes, very effectively"; another says, "Yes, but it is disregarded by so many other Spice grinders that its usefulness is lessened to a degree"; another says "Unfair competition makes same impractical".

This subject is too big to be reviewed here. I consider a modern, efficient cost system along standard lines absolutely essential to the success of an industry, and its trade association. It is a money-saver and a money-maker of the first magnitude, and without it all other constructive measures are apt to fail of their maximum possibilities.

Practically all of the Spice grinders handle other lines besides Spice. Coffee, tea, mustard, flavoring extracts, salad dressings, peanut butter, mayonnaise, food lines, etc., are listed. This is as it should be. A diversified line lends security to any business, especially where the same type of outlets are employed. The volume percentage of Spice as compared to total volume of sales ranges from two to ninety percent. About sixty-five percent state that Spice is less than 30% of their total sales. This figure would be raised if total purchases of raw materials entering into their products was considered as Spice enters into other condiments and loses its identity.

This merging of Spice with other products makes it difficult for

some to keep separate records of capital investment, turnover, profits, etc., on Spice alone. Yet I believe this step a necessary one in knowing how each saleable product is paying its way. Let me illustrate this thought by quoting the opinion of a modern merchandiser in a letter addressed to his departments:

> "This is a day of selling selective merchandise. The day of order-taking is past. Fifty percent of the items we handle do not pay their way thru the channels of distribution. We have determined to classify merchandise of this kind as 'Deadhead Merchandise'. We are paying the -------- Company $3,300 per year simply for the privilege of distributing their merchandise. This is just as reasonable as if we would ask you to work for us, pay your own expenses, and pay us something for the privilege. We do carry this merchandise in stock, but it is not for sale. It is to be used in completing orders. Any salesman who actually sells or offers for sale items on the 'Deadhead' list should, at the same time, tender his resignation, for an act of this kind is clearly one of disloyalty."

Exclusive of membership in the American Spice Trade Association, the replies indicated that the average membership in various associations was between two and three, of which the Flavoring Extract Association led with 22% and the Coffee Roasters' Association was second with 20%. The balance are widely diversified and include sectional organizations of local character. Certainly the members of our Association are "Association Conscious", and have had experience in cooperative action. How effective the work of these associations has been I cannot state at present, but the flavoring extract field closely parallels that of Spice, as both are sold entirely for flavor and depend upon the public demand for variety in taste.

Conclusion

The full and complete picture of the activities of the Spice trade must be left to a later date. The information so far secured is constructive to a limited extent, and will answer until a larger organization is built up to properly tabulate the facts which must be known before your Association can fully function.

I appreciate the confidence and the time and trouble put forth by those who have helped me to see the Spice trade thru their own eyes. I am quite sure that no one will regret their participation in this endeavor to right the wrongs of an industry old in years, rich in tradition, and so universally known wherever cooking exists.

I will close this chapter with a story which should always be carried in mind. I hope that it will not apply to Spices for many generations yet to come. An ancient, eastern philosopher king called his wise men together and asked them to construct a sentence which could be added to any statement and still be true. After a year of deliberation they submitted the following:

"This, too, will pass away."

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Chapter 4.

AGENTS' OPINIONS

The importers, brokers, agents and commission men who were largely responsible for the formation of this Association, and for holding the Spice trade together during twenty-three years of association have been asked to give me their opinion on the current situation as it affects their interests.

In this discussion I want to again state that my sole purpose in making comments which appear warranted is wholly constructive. I cannot, in the brief time at my disposal, make the thoro investigation which later seems necessary, but I find a serious situation growing worse and if I can contribute toward its betterment I will gladly do so.

As I understand the workings of the commission end of the Spice trade, which is so called for want of a better name, and includes direct importers and others, their original function was as a buffer or shock-absorber in preventing fraud from primary markets. They had a direct point of contact with shippers, were supposed to know world conditions of supply and demand, and to pass along their knowledge to their outlets who had neither the time nor the facilities for making these studies. For that purpose they earned their commissions or profits.

Thru the active endeavors of this group, government regulations were adopted which limited the extraneous matter which could be shipped in as Spice and paid for at the Spice rate. Foreign governments were induced to follow this example and pass laws compelling a higher standard of uniform quality exported from their possessions. This has been very constructive to the American Spice trade, and full credit for this achievement should be rendered this group.

The system and ethics of arbitration as carried on by the Spice association has been the third most constructive work they have accomplished. I have analyzed one fiscal year of such arbitrations, - the 1929 - 1930 period. The number of arbitrations during that period were twenty-four, and the value of the products involved totalled about $120,000, or $5,000 per case. The cost involved to those seeking settlement was very small, averaging less than 1% of the value of the goods in dispute and saving approximately $300 per case over legal procedure.

Since May, 1922, when an orderly system of numbering was adopted, there has been an average of fifty arbitrations per year, involving two million dollars, based on the average for last year, and saving the members approximately $120,000 in legal fees and tied up capital. This amount is about three times the total dues paid into your association over that period. These arbitrations have been running since 1910.

It is to be regretted that with these three constructive developments to its credit this group has allowed its outlets and its livelihood to slip away. Today nearly all the larger grinders are importing

direct from primary markets to some extent, and claim that on certain items it is the economic and most satisfactory method of operating. Twenty years ago the importing group controlled this business exclusively. One of two things must have happened to change this condition. Either the march of progress has made the middle man a lesser economic factor, or he has destroyed his full usefulness and his prestige by his own conduct. You know better than I do if either or both apply to the situation. We cannot ignore the results without further danger to this group. Napoleon failed because of three things:

He stopped listening.
He disliked to hear unpleasant facts.
He under-estimated his competitors.

It is possible that at the crest of power and prosperity some of the members of this group tried to grow rich too fast. Old man Human Nature asserted himself, and greed, trickery, broken faith and business ethics of the destructive kind came into play - just as many other industries have experienced. If this were true it is probable that friendships were broken, animosities created, vendettas started, and disorganization became rampant. It is a peculiar fact that we cannot live orderly lives without organization. Man is a gregarious animal, unhappy when alone, and sometimes unhappy when restricted by rules of conduct so necessary for his well-being.

One of the best examples of organization is the membership of the stock exchange. Rigid, definite rules of conduct govern its members and to break them means expulsion and often bankruptcy. As long as the members execute orders from responsible clients, and collect their stated commission, they prosper according to their ability; but if they speculate or let down the credit bars or bucket orders or seek riches too fast they must some day make an accounting. It simply can't be done over an extended period.

As I have stated, the time at my disposal is inadequate to analyze the causes which have led to the present status of this group. What we are all interested in at present is the possibility of once more getting together and justifying the existence of the commission man in the Spice trade. The opinions on current conditions of this group are interesting and will be reviewed. The percentage of replies from this larger group was less than the grinders furnished, but still represent a majority of the tonnage handled in the trade.

The evils in the transmission of Spices from grower to grinder, according to the opinion of this group, are listed in part:

1. Speculation.

2. Margin of profit too narrow for risk and accommodation.

3. There is no organized market in this country for the Spice business; grinders cabling to India, importers cabling to London, natives in India offering on landed terms, etc.

4. In our opinion a question of quality. If it is a question of price, the greatest evil is the grinder's tendency to buy direct from the grower.

5. The principal matter that needs continuous attention is cleanliness of the product at the source.

6. Agents in the line attempt to sell the small buyer and the large importer, as well.

7. The damage done by irresponsible shippers broadcasting prices and not living up to contract terms when unprofitable. Deliveries whose quality has been adulterated. Arbitrations forced on non-members who have no respect for our contract regulations, and will not pay claims. The continued practice of this unfair competition has compelled responsible merchants to reduce prices to an unprofitable level, in many cases eliminating from the Spice business those most desirable.

8. The indulgence of N.Y. operators in what we might call "contract switching". The consumer purchasing in this market a spread position, - i.e., January/March, - invariably finds himself compelled to accept an early delivery on a falling market and a late delivery on an advancing market. This trade practice, while legitimate, invariably costs the consumer money regardless of whether the market advances or declines, for in the former case values generally come down again by the time the buyer gets the goods.

9. Lack of respect, generally, for the other fellow's account. It has been repeatedly proven that the violator of this existing understanding gains absolutely nothing, and merely succeeds in forcing a price reduction on the part of the regular supplier. In a small commodity like Spices, there is just so much business which the various individuals involved may expect on a profitable basis, and just as soon as some of the selfish, hungry individuals concerned discontinue their attempts to hog it all, better opportunities for making a legitimate profit will exist.

10. The appointment of members on the various committees of the A.S.T.A. should be a matter of careful selection. These appointments have much to do with the permanence and influence of this Association. This applies, also, to the personnel of the Arbitration Committee, which should be outside the pale of trade politics and representative of only the best thought of the membership, irrespective of geographical location or seniority.

11. Trying to save broker's commission.

12. Adulteration and doing business without profit.

These sum up the main headings for complaint. It is a picture

of disorganization which will take time and study to improve. The volume of Spice consumed in this country leads the world, and it is to be regretted that a Spice Exchange was not formed years ago, with rigid regulations and police powers to protect quality and unfair dealing. If the import and commission group can forget the past, and once more join together in cooperation, soberly facing the facts which threaten their prosperity, I believe that some constructive measures could be evolved. This effort must come from within each individual and not from without, because no outside dictation would now be heeded or be of lasting benefit.

The mental attitude of any group of business men is the most important element toward eliminating trade abuses and building up a constructive industry. I have been told that some believe a paid association head is unnecessary, as the members can carry on their arbitrations and their government contacts as of yore. This is perfectly true, so far as it goes, but in viewing the chaotic conditions which these members have permitted to grow unchecked, it does not appear to be an economical procedure.

In a recent daily paper it was announced that the milk dealers of New England are offering Calvin Coolidge a million dollars for five years of leadership, to bring order in an industry which cannot control itself. Baseball, the movies and every strong association group have taken or are bidding for leadership and guidance. They call them "Dictators", but their function is purely along the lines of intelligent direction. We cannot burn up the office of a non-cooperator, but we can educate him into a higher plane of trade ethics which will make him prosper and make our livelihood more secure.

The progressive association head, thru his broader experience in many lines of activity, knows how to put the wheels in motion and how to keep them turning. I believe, in all sincerity, that the Spice trade would make more money in the years to come by leadership of this type than by a cheaper man of less ability. Always keep in mind this dominant fact, - the function of a trade association is to make money for its members. What they pay should only be a part of the profit they receive. Their membership should cost them nothing. Their dividends on their membership is the measure of success of their management and the measure of the cooperation extended by the members. You cannot take out of a thing more than you put into it.

The approximate tonnage of Spice per year handled by the members of this group cannot be estimated from the answers submitted, as these were too incomplete to form any sound conclusion. This also applies to the percentage of their total volume classed as Spices. The majority report an increasing volume of business over recent years, which may be due to the number of importers and others who have liquidated their business and closed shop in the face of current conditions. Their volume, divided amongst the rest, would increase the tonnage reports.

The future trend as it appears to this group is not clearly defined:

1. Possibly slight increase.

2. Better, because world conditions must get better.

3. We can't see "around the corner".

4. Anticipate normal business for the year 1931. Buyers are using sound business methods these days, purchasing exactly what they need and dispensing with speculative tendencies that formerly existed.

5. Impossible to visualize a trend, because all depends on consumers' buying tactics which at present are from hand to mouth.

6. You might as well ask us whether we will still be alive tomorrow. We do say, however, that the Spice business could be profitable for both dealers and grinders were it handled constructively.

7. While it is rather difficult to visualize the future trend in view of the existing economic situation, we look for a decided improvement in values and also in the general conduct of the business. The existence of high prices during the past five years invited outside speculators, unacquainted with the various commodities and the ultimate sources of distribution. Current prices should discourage many of these individuals, leaving the business to the regular group. This would tend to curtail production to comply with the current demand, and eliminate the possibility of a surplus which has proven the common cause of price reductions below cost of production. Furthermore, reduced imports on the part of local dealers should permit a more profitable jobbing business which has been a serious complaint for some time.

Other answers do not throw further light on this subject, and as we cannot take out of a thing more than we put into it, no further comment can be made. This also applies to several more of the questions sent out.

About sixty-four percent of the replies say that it is not necessary to "take a position" in the conduct of their business. Speculation - buying low to sell high or selling high to buy low - is precarious unless successful, and a fifty-fifty break is considered good over an extended period. Any business which depends upon continually outguessing conditions would have difficulty getting bank loans . A well-organized business makes its profit on its efficiency and its service. If these are inadequate and cannot be made better, it liquidates. When it tries to live on speculation it also liquidates - eventually.

The most pertinent question in this series follows: "What do you consider the most important service or services that you furnish to your trade?" This is a question which requires a lot of deep thinking and analysis from the commission group. Its answer should tell why they are a necessary factor in the transmission of Spice, and how the grinder can save money by dealing thru them. Three of the most represen-

tative replies will be given:

1. Honest, sincere opinions regardless of consequences.

2. To keep our trade advised properly and constructively of the market prices as we view them from all sources of information at our command; such prices to be given them to be non-speculative, and, as near as possible, disinterested.

3. Submission of facts and conditions with regard to various commodities, the securing of satisfactory quality at competitive prices, exerting our efforts in the adjustment of any question arising out of contracts and supervision of sampling and shipping on arrival.

The last answer outlines a service which should pay its way. Price, alone, is not enough, but intelligent study of world conditions, contacts with the most reliable quality shippers, the lowest possible percentage of waste and foreign matter in Spice containers, primary sources which make good when claims arise, and assurance to the grinder that his interest comes first,- these are the works of the specialist, and deserve recognition. I do not say these are all he should do, but they form the backbone of his function in the Spice trade.

From what I have seen in the scrap heaps of some grinding plants which buy direct and mark off a certain shrinkage for scrap iron and rocks, some savings could be accomplished by cleaner products. The grinder has his own problems of production and distribution which make it difficult for him to also specialize in primary markets and import routine. The initial cost of Spice is not the final figure. That is only determined when the mills begin to grind. There may be a gap here which has not been brought to light, and exceeds the cost of the high grade broker.

What activities by the A.S.T.A. would be most beneficial to your company? This answer called forth a variety of opinions along different lines, and whose which were constructive are partly quoted here:

1. Matters which would help the entire trade would be: prohibit brokers from being dealers, - i.e., buying and selling on their own account. Prohibit dealers and grinders from demanding deduction of brokerage fees when making direct purchases. These things are not ethical.

2. Compel all parties concerned in the contract governed by the rules of our Association to be members thereof; this would create more respect for our Association and permit international, constructive movements which would prove generally beneficial.

3. We do think the Association should pattern itself along up-to-date methods promptly. --- We consider it essential that the seller be allowed to make an equivalent delivery on a shipment sale. --- At all times the Association should be disinterested, and should weigh their conclusions on any policy in line with what is good for the trade as a whole. --- Common gossip of party cliques, etc., within

the Association should be denied and such gossip should be traced to its source.

4. The endeavor to retain in the membership of the A.S.T.A. all branches of the trade - Grinders, Agents, Brokers and Importers - so as to centralize the power and influence of the trade; to achieve, as far as possible, the maintenance of the highest possible efficiency, and therefore the greatest amount of justice, in the actions and decisions of the Association, so that respect for its policies may be maintained here and in foreign markets, and to minimize and discourage, without cessation, to the extent of our influence, anything narrow, partisan, short-sighted, undignified, time-serving or equivocal in the conduct of the Association's functions and policies.

I believe the last statement to be one of the finest expressions of faith for an industry that I have ever read. You may say that it is impossible to attain, that it is not of this world, and that it shoots too high. To this I may agree. But ideals are made of this very material. They are set high so that we may always strive toward them, but never quite attain their perfection. Without an objective we sink. The man who has lost his faith in humanity, whose vision does not rise above his desk, whose ideals and higher nature have been displaced with cynicism, - that man has lost the spice of life.

I would like to have the Spice trade adopt that paragraph as its Credo, and have it placed under the glass top of every desk. It will be violated many times, by many men, but its subconscious influence will be at work to lift the ethics of your industry to a higher plane. I do not suggest this from any motive to save your souls. I suggest it to save your capital investments, your declining markets, your profits, and to make the Spice world a better place for work and friendships.

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Chapter 5.

Purpose of Your Association

In order to accomplish any worth while program it is necessary that your members reach an agreement as to what they desire from their Association. Some like the friendly contacts with others in their trade, some think its trade practices and arbitrations are sufficient for its existence, some believe it has work yet to be accomplished. Few look to their Association for constructive leadership in a situation growing more difficult each year.

The excellent arbitrations of our Association are called "an amicable meeting of minds", and I would like to outline, in the same spirit, the possibilities of the new trade association methods which have been in operation for some years by the leaders in forceful management of industries. Personally, I believe the ensuing paragraphs are the most important in this survey, for on their endorsement by the Spice trade membership lies its only path toward betterment.

Unit Cost of Effort

The revolution that is taking place in the business viewpoint is based on cooperation to the fullest extent. It is an elementary proposition that a hundred members can more readily afford to support a constructive program for their industry than can one manufacturer. Stated another way, the collective strength and effectiveness of a body representing one hundred members could be many times more thoro and efficient than one member could maintain per unit cost of his product. When Abraham Lincoln said that "In union there is strength" he covered the whole field from nations down to the family group.

Business Control

In the Spice trade as in many others no manager has complete control over his business. He has to pay a fluctuating price for the quality of raw material he desires, and it is conceivable that at some time he may not be able to get it at all. He can never forecast the price over an extended period and hence his control is practically nil.

From receiving to shipping platform his word is law, except for labor demands and strikes, for state regulations, taxes, insurance, for weather conditions of blizzard and flood, for fire hazard and other factors which cut down his control.

From the shipping platform he is dependent upon freight movement, upon the public approval of his product and public buying power, upon the price structure reared by his competitors, and upon the inevitable obsolescence of his line as the public takes to newer things.

It has been estimated that about 40% of a business is under

direct control of a management while 60% is under the control of outside forces which can only be influenced by the united support of a strong trade association.

The Banker's Viewpoint

Membership in a strong trade association is, today, the mark of the progressive management. It is the first step toward eliminating price wars, over-production, high costs and low profits. It is so important that bankers are now viewing it as a favorable basis of credit. They are of the opinion that such a concern has a better chance to survive business recessions, to show a larger profit on invested capital, and to grow intelligently.

Bankers think that better management will come from a more complete information service as now furnished by many trade associations which survey their field, that this membership is a measure of character because it shows ability to get along well with others, and that it is a measure of intelligence of the member's business methods because he is trying to eliminate competitive waste and to use cooperation as an economical promotion weapon. Finally, a well-organized industry will always have preference because it is doing something for stability, efficiency and economy of production and distribution.

Why Industries Organize

Industries must organize to protect their markets from the encroachment of other organized industries which are trying to supplant old habits by new ones. They must organize to find, thru research, new uses and new markets to make up for their inevitable losses to newer commodities. They must organize to collectively divide the expense of expansion programs in creating a wider public desire for their products. Also, they must maintain strong headquarters for their industry control in trade astatistics, trade practices, exchange of data, more efficient operation, and a solid front in legislation. Without this strength they can only take what is left. The individual receives scant consideration. But his united vote swings the government.

Building Cooperation

The most difficult part of cooperative action lies in the elimination of secrecy, suspicion and distrust - the stumbling blocks to united effort. Unfortunately, this cannot be accomplished over night. It is an evolution in the human viewpoint which must come from the realization that it does not pay dividends. Honesty, frankness and consideration are inherent in most individuals and can be brought out by similar treatment. The dominant individualist whose word is law and who makes his own rules is passing out of business because he is a disturbing element and business prosperity cannot afford to be disturbed. The well-organized trade association has successfully overcome much of this distrust. The Spice trade should prove no exception.

Regardless of the evils existing in the Spice trade, of a bottomless price structure, of expanding sales programs in a constricting market, of dumping in far-distant areas, of slack-filling, and of speculation, I know of no greater need in this industry than the promotion of a better understanding between the men engaged in it, thru proper organization.

Knowledge is the first step in the removal of prejudice. You gather knowledge by exchanging ideas. If you have one idea and meet ten of your competitors similarly equipped, you can come away with ten new ideas instead of the one you carried to the meeting. You are all richer than formerly. When business men of different viewpoints get together for a common purpose, they soon recognize in each other not the differences that divide, but the common bonds that unite them. Understanding will breed tolerance and sympathy, and sympathy dispels the fog of prejudice.

A nation composed of many parties or nationalities will only present a united front when danger threatens. This is so fundamental in human nature that I believe the Spice trade will draw itself together to defend its slipping markets, its capital investments, and its livelihood.

The industry in general is composed of good, average representative businessmen, some of whom are doing a profitable business. While not content with what they are at present producing and receiving, they are not particularly concerned about the future of the industry as a whole, because little thought has been expended in that direction. In general, they are critical of unwise trade practices, of misdirected effort, of their brothers in the trade, and many are contributing to the disturbing conditions of which they complain.

It would be hard to find another industry of established tradition and equal importance content to let the industry drift along without a stronger cooperation and coordinated effort to preserve and defend its present market as well as to enlarge the uses for its product. To be honest with you and fair to myself, I must lay conditions before you as I find them.

I think the work your Association has accomplished in the past has been remarkably good considering the limitations of your budget. A group of men with unselfish loyalty have given their time and experience to keep the cooperative movement alive and upon that foundation can be built an organization, properly financed, to enlarge your activities in the many directions required to keep your industry a factor in the food supply of the nation.

These larger activities are worth nothing without the majority support of the industry. They are worth nothing without a better understanding between the men engaged in it. They are worth nothing unless the industry reaffirms its ideals of what constitutes good business principles and ethics.

I have been asked to point out one way by which Spice consumption could be materially increased. If I did this, how would the industry benefit under present conditions except in the larger use of red ink? First, let us get the fundamentals sound and the rest will inevitably follow. The problem before us is one of organization, of individualism laid aside, of prejudice forgotten. We want a new deal based on the four-year plan outlined in this survey. We want to follow that plan in its entirety, give it a square chance to succeed, and the natural laws of economics will be working with us.

There is a good deal more on this subject that I would like to say. A better man, however, has already crystallized this subject, and the balance of this chapter will be in his words. Mr. Charles F. Abbott, Executive Director of the American Institute of Steel Construction, delivered an address at Del Monte, California, on February 12th, 1931, before The Iron, Steel and Allied Industries of California. The following paragraphs apply so closely to the Spice trade situation that I reproduce his speech to a considerable extent and with his permission. His subject was "Profits in Cooperation", and if anyone knows this subject more intimately than Mr. Abbott, I have not heard of him. Extracts from his speech follow:

Industrial associations are not only essential in promoting progress, but they are a necessary benefit to members, to customers and to the public. Most of the problems that confront the individual business man are shared equally with his competitors, his customers and the public. He cannot solve them alone. Success will depend upon the cooperation of all interests involved.

Every industry has its problems, some basically economic, others more specifically related to production or selling, that can be overcome more effectively by cooperation than by any individual action. The individual concern unaided cannot cope with this modern day struggle for markets. The forces that are marshalled against it are too great. The battle line is too far-flung. The vision to see that the individual concern can prosper only as the industry prospers, offers the sole hope of survival.

Such cooperative activity, aimed primarily at better merchandising methods, offers the one assurance of prosperity. During this period of transition the future problem is to locate buyers to absorb what we produce, to make them want what we have for sale.

The fruit and vegetable growers of California would be helpless were they to rely upon individual effort. The grower of a thousand crates of lemons could not make his message heard outside of his own county, but by paying a few cents per crate into a common fund, his voice is heard in every city and town in the country.

It is the trade association that offers the greatest security to the individual initiative and future permanency of the smaller plants and individual concerns.

Despite the tendency toward large plant operations, the bulk of business of all kinds is still being carried on by relatively small concerns. The moderate sized plant remains the typical unit. In spite of the rapid growth of chain stores, department stores and mail order houses, these groups combined are reported to be handling only about 30% of the total retail business.

Honesty can be established as relationships increase, and confidence will replace suspicion. It is a hopeless task to place too great reliance upon mutual agreements until honesty becomes a part of man's character. There can be no exceptions. And all honest men can support trade agreements that are honest. Illegal agreements are unlawful because they are against public interest. Any movement that does not have as its objective the promotion of public welfare cannot obtain permanent success, and it is foolish of us to advocate such a movement.

If an agreement is made among competitors and later broken it usually results that conditions become worse than those which existed before the agreement was made. The honest intent of the individual must be relied upon, and it is always put to a severe test as long as agreements exist. The large majority in nearly every industry are honest and faithfully carrying out their promises.

There must be higher ideals and motives expressed in a comprehensive program that includes constructive activities if the interest and support of the more successful concerns is to be obtained. Busy men have no time for little picayune things in business. Little men take an hour to figure out how they can beat out a competitor. Big men are searching for ideas that will build up their business next month and next year.

It should be rung in the ears of every business man that it pays handsomely to be considerate toward everyone, including competitors and the general public. The millennium has not arrived. We shall probably not see it in the near future, but conditions are improving and business men on the average are growing better. They are becoming more and more intelligent and better educated. This makes for legitimate advancement, for prosperity and happiness.

Organized cooperation, supporting a well developed practical program, opens the way for important accomplishments that would advance the industry and promote individual success and public welfare. Research to develop new uses, new markets and reduce costs, advertising, education, and many similar activities can be economically and more effectively promoted than would be possible if entrusted to individual action.

These objectives are important. There are, of course, problems that hold a keener interest for the individual cooperator. He is concerned more directly with those internal questions that affect profits. Present existing laws restrict any program compelling the elimination of all illegal activities such as price agreements, restraint of trade, etc. Education to promote more ethical relations and to establish the fallacy

of unfair practices, price cutting and similar evils is permissible and very effective, however. It is this coordination of right thinking and acting incident to such a program that lifts an industry out of most of its difficulties.

There should be no doubt, no hesitation, in the acceptance and application of wholesome cooperative effort among competitors. It offers the only way to a larger business, a better business and satisfactory profits. There is no other answer. Either competition will fall to the level of vicious fighting and trade demoralization, or it must adopt a practical plan of cooperation. Men working together sincerely for a common end and a common purpose, can so organize their energies that problems fade before them and limitations recede. It is then that the individual prospers the most.

The industrial and commercial contest of the next twenty years will be cyclonic in its intensity. It will be vast and magnificent. Sales managers are just beginning to realize that business is in its dawn, and that the victories of the past are small in comparison with the victories of the future. Just as the master word of yesterday was "Initiative" - so the word of today is "Cooperation" and the word of tomorrow, "Cooperative Coordination".

The efficient association is one reason for America's famed teamwork in business. It serves as an enlightenment of selfishness, a generosity on the part of the big fellow to help the little fellow. It has already taught us that the main secret of a successful business and a happy life is to climb up from retaliation to reciprocity.

It may be safely said that few phases of a trade association's work are more important than the education of its members to the point where they will realize the value of an established sales price that is fair to both buyer and seller. The interests of the public are also protected by such a move, for the public suffers a distinct loss when sales are made at cost or less than cost.

Industry must understand and accept the theory of stabilized production. It must recognize the folly of attempting to operate a plant on a basis of 100% capacity output when statistics indicate a demand of but 50% of plant capacity. It must recognize the spirit of live and let live, and overcome that of selfishness which induces others to enter into a war of price cutting in an attempt to keep operating at like capacity. It must adopt the formula of total cost plus profit in fixing selling prices.

Is capacity production at a net loss more desirable than 60% or 80% output at a profit? If one competitor wastes his capital assets, must every other seller in competition match his destructive, ignorant policy?

If Moses had given us eleven commandments instead of ten, the eleventh might well have been "Uphold the Sales Price". Short of downright dishonesty, there is nothing so unethical in business as

cutting the price for the sake of getting an order.

Mr. James A. Farrell, President of the United States Steel Corporation, at Pinehurst, North Carolina, before the annual banquet of the American Institute of Steel Construction, made this statement:

"Business exists for making profits. When profits disappear, business likewise disappears. The satisfaction of labor working for an adequate wage, of the consuming public for an adequate supply of goods at reasonable prices, of the investor for a return on his money, of the government for an unimpared source of tax returns, are all dependent uniformly upon the profitable operation of business. This problem of earning a profit, however, is properly left to the discretion of business management. Consequently, management is in duty bound to apply scientific thinking and planning in effecting better methods for the stabilizing of business prosperity."

Unless price cutting is stopped and prices are advanced to the point where they will show a reasonable profit, then wages must be reduced, increasing the volume of unemployment. Wage scales cannot be maintained and the unemployment problem cannot be solved unless profits can be realized.

If we stop to reason the matter out, eliminating all of the disturbing speculative element, would it not be possible that we would find that American business has slipped back into the jungle and must start all over again the slow process of evolution? The law of the jungle is that "might makes right" or its denizens with the sharpest teeth and the longest claws survive in the struggle for existence.

Whenever a seller becomes recognized by his competitors as a price cutter, his troubles begin. Whenever he submits competitive bids, he becomes the target at which his competitors shoot their prices. The individual who relies upon price cutting as a means of obtaining his business becomes a marked man and his days are numbered. The life of a price cutter is not a pleasant one nor a long one. The trouble with the price cutter is that he spends all of his time trying to close the order. If he would devote as much time to convincing his prospect he would find that when he is convinced he closes the order himself.

There is no credit to anyone when an order is taken at a cut price. The buyer may gain a temporary benefit and the seller has the order, but in the end both buyer and seller lose far more than they gain. The buyer offers encouragement to price demoralization and he can never tell whether his price is right on his future purchases. The seller reduces his profit and in the end he may find himself giving away a part of his capital assets.

Nothing is so easy as to cut prices; and nothing is so hard as to get them back when once they have been pulled down. Any child can break an egg by throwing it on the floor, but all the learned scientists in the world cannot pick it up again. Any fool can cut prices, but it requires the combined power of the industry to put them back again.

There is only one way to make money in business. That way is to sell the product at a profit. The fact that there are many in every line who are making a profit proves that knowledge and self restraint are not without their rewards.

It takes courage to look a large order square in the face and say "No" if it is not in accord with established terms and prices. Nevertheless, there are concerns in highly competitive industries that are displaying that courage year in and year out. True, they may not have the big volume, but they have not been drowned in red ink.

Of course, you cannot get all orders without price being the inducement in some cases, but there are many other factors worth talking about. When the price is once submitted there should be no further concessions. That is salesmanship.

The future will call for many changes in distribution. Costs must be reduced. Wasteful methods must be eliminated. Efficiency in salesmanship must be developed upon a higher standard than ever before. Those in charge of sales will be called upon to exercise more intensive control and supervision. A profit on every sale will become the banker's formula for estimating worth. There will be no alibis and no explanations. Management will be held responsible and judged by its efficiency and aggressiveness.

Destructive competition during the past year has brought consumers to the point where they regard low price as the only consideration. Price cutting has educated buyers to realize that the low price of today may not be the low price of tomorrow. The problem is not so much the cut price as it is the attitude of some of the sellers who are out to get the business at any price. Invariably they cut their own low price, and such a policy incurs economic loss. The regrettable part is that someone loses his temper and uses his time and money to prevent someone else from getting business to which he may be entitled. Under such conditions a fertile field is being created for competitive materials which may profit from the uncertainty created. We should not forget the old adage "whom fortune wishes to destroy she first makes mad".

The whole structure of business is based upon profit and not upon the mere production or exchange of commodities. Business success demands exactness. The world is filled with men who guess, or assume, or are led to understand, that a certain figure is nearly, or approximately, or to all intents, accurate. But they are bossed by the man who knows.

There are many concerns without adequate cost systems and there are others who supplant their cost figures with a system of outguessing competition in computing their selling prices. A disregard of cost figures will eventually invite bankruptcy.

Business men can solve this problem to their own satisfaction and to their own financial success if they know accurately their costs and refuse to be bluffed into a sale at a price which will not cover those costs plus a fair profit.

When business men will give heed to the obvious way out of their difficulties they will be in a better position to plan intelligently. When industry holds fast to the fundamental law of profitable business it will become profit-minded, and that is a long way toward the goal of success. There is no substitute, however, for individual responsibility, and no hope of effective cooperation without it.

The market value of any business depends upon the amount and regularity of its profits. Real estate and inventories do not add much to market value. The real market value is determined by the efficiency of the whole organization and its profit-making ability. Bankers are searching day and night for the profit-makers and they run away very fast when the profit account is missing.

If demoralized price cutting is to be eliminated and the business transacted on a basis of profit, the manufacturer must exert his leadership, and in the formulation of his selling policy, he must define fair practices and then vigorously enforce them without any partiality or deviation. One of the most constructive influences is the establishment of a one price policy, thereby establishing prices and discounts that will be fair to all.

There are instances where buyers attempt to make the seller believe that lower prices have been quoted. There are other occasions when the buyer may be sincere in his statement. In the long run, however, it will pay the seller well to pursue the one price policy and submit a price based on a cost that he believes to be fair. He may lose some business, but he gains as confidence and self respect become established. Buyers are always attracted by a strong personality, they shy away from the weak-kneed seller. In the last analysis the courageous seller is the winner.

Furthermore, the practice is contrary to the interests of the buyer. While the law of supply and demand operates it is economically sound for the buyer to try to get the best possible price, but to drive the bargain below the line of a fair profit, good quality and proper service, is poor business in the long run. Substitutions, inferior quality, and inadequate service logically follow. The buyer suffers and pays a much greater price in the end.

The buyer and the seller are as dependent upon each other as are the producer and distributor of the product. In the long run, buyer and seller alike will be adversely affected by any influence which undermines the stability of the other. The best assurances for the consistent prosperity and progress of both, and of American business as a whole, lies in active cooperation to foster constructive influences and stamp out those, such as price cutting, which are responsible for destructive competition and that menace the welfare of all concerned.

It is not the lawful reduction of prices that I condemn. We must recognize the ethical distinction between necessary price reductions and price cutting which is inspired by a selfish desire to obtain more than a reasonable proportion of business.

Prices that are reduced to dispose of excess inventories or to meet emergency conditions confronting a producer would not, and should not, be classified as illegal price cutting.

On the other hand, prices that are cut for the purpose of taking business away from others who may be entitled to it, is an objectionable form of price cutting. Under the spirit of the Clayton Act such practices, I firmly believe, are illegal. Price cutting to obtain more than one's share of business or to obtain business on a price basis alone is another form of price cutting that is reprehensible. To submit one price, only to return and submit three or four additional and lower prices, thereby starting a price cutting orgy, represents a vicious form of price cutting.

The Clayton Act plainly condemns price discriminations which are designed for the purpose of lessening competition. The idea behind the Federal Law is in line with what we all believe in, and I feel confident that we could cure the evils of price cutting today were we not likely to lose our way in the morass of legal technicality that so often follows when we depend entirely upon the courts to correct economic evils.

Reforms are difficult to realize when left to the compulsion of law and administration. Reform must exist in the hearts of men before it is really accomplished. Therefore no statute will ever cure business men of the evils of price cutting until business men cure themselves individually of all desire to indulge in evil practices. We must convince ourselves of the desirability of the right before we can attain it.

Every now and then someone bobs up announcing a newly discovered plan to relieve some industry of all of its difficulties. Meetings are held and the plan is launched amidst great enthusiasm. But the first stop of the joy ride is usually at the office of the Department of Justice in Washington. As far as I know no one has as yet ever devised a legal plan to get around the Anti-Trust Laws and do things that the laws specifically state must not be done.

Most men will agree that prices are lower, that profits have become impaired and that competition is more difficult to meet. It is a strange phenomenon to some as they are left hopelessly struggling for a solution and relief from the perplexing difficulties with which business has become inflicted.

The Anti-Trust Laws, with some of their now obsolete interpretations and many doubtful regulations under them, are probably responsible for some of the business man's worries. A modification of these laws with intelligent interpretations would undoubtedly offer relief; but by no means are they alone responsible for the new conditions now confronting our business activities, nor would their repeal remove the principal present day problems.

The argument for such a revision is valid in itself for the Anti-Trust Laws were enacted to prevent restraint of trade rather than to forbid all trade agreements. Therefore, trade agreements which have for

their purpose the conservation of a product for the best interest of the public or the saving of an industry would not necessarily come under the prohibition of the intent of the framers of the statutes. It is becoming more and more apparent that production in important fields has outgrown many of the rulings under the Anti-Trust Laws.

While modifications are undoubtedly necessary, it is well to remember that extreme selfishness on the part of some at a disregard of the rights of others represents a principal evil. Until individual selfishness can give way to justice and fairness with the spirit of the industry of paramount importance, we cannot expect any relief even tho the laws might be modified. It is only thru honest cooperation that enlightened selfishness can possibly dissipate ignorant competition which is the real hazard.

The cause of price cutting is to be found in the mental qualities of the cutter. Ignorance, misunderstandings, confusion, greed, distrust and antagonism are the destructive elements. The solution of the problem involves the curing or elimination of these qualities. Failure to do so means continued unprofitable operation.

Our only legal cure of the evil is education. By hammering indisputable facts home again and again to every member of an industry the influences that promote price cutting can be reversed.

Education should start by destroying the illusion that greater profits can be obtained from an increase in volume secured by price cutting. When this illusion has been destroyed the root of the price cutting evil will be eliminated.

We can do much to effect this education thru cooperation, thru coming together and honestly discussing our problems. Around a conference table, in trade association meetings, this education is possible and without circumscribing the rights of individuals.

If the executive heads of each company within an industry cannot put a stop to cut-throat competition and price cutting, then the Government may be forced to do so. Labor unions, in a number of instances, have already taken the matter in hand.

Those who insist upon price cutting and destructive competition as a means of obtaining their business can well afford to stop and consider just what may be in store for them. Labor supported by public opinion will insist upon profitable operation of our industries. If the present management cannot succeed then it must step aside for another method of control.

The challenge to industry today is whether we are going to meet this issue and solve it effectively, or whether we are going to invite the Government to do it for us. You have witnessed what happened in Italy. Extreme individualism in industry and trade has been replaced by a state dictator. Russia is doing the same, only thru a differing

political method.

The people of the United States have declared for a democracy, and American industry is confronted with the serious necessity of proving that these economic emergencies can be successfully coped with under a democracy, that these business problems can be solved thru cooperative effort and without recourse to governmental interference. This is certainly a time when we should all be willing to submerge our wilful desires, our selfish ambitions for the betterment of our industries and traders and thus prove our ability to cooperate for progress.

We have this challenge thrown at us by Mussolini and by Stalin. Are we going to acknowledge that our democratic principles are wrong? I think not, for we have learned how to cooperate.

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Chapter 6

The New Organization

Acting under authority of the Board of Directors, this Survey has been made for the purpose of submitting to the Board and the Association:

First - a definite program of activities and plan of operation for the future conduct of the A.S.T.A.;

Second - methods of eliminating waste, correcting bad trade practices, and improving conditions within the industry;

Third - plans for enlarging the market for the use and sale of Spice and allied food items.

The subjects covered, facts presented and recommendations made are based on a concensus of opinion and ideas on the part of executives representing a majority of the Spice trade, plus the result of conferences and contacts with the following:

Editors of Trade Publications in the Spice field;

Other Trade Organizations in allied fields, such as Sugar, Coffee, Food Distribution, Flavoring Extracts, etc.;

Authorities on Food Dietetics and Recipes;

U.S.Chamber of Commerce;

U.S.Department of Commerce;

Advertising Agencies:

Cost Accountants,

together with facts secured by the writer from other sources. To this has been added the writer's experience as an industrial analyst and merchandiser in diversified fields and in the work of other trade associations in the meeting and solving of similar problems.

A Four-Year Cooperative Plan of Proposed Activities and Operation is submitted for approval, embracing the purposes and objects of the Survey, together with a set-up of the necessary machinery for carrying on the work and producing the revenue.

It is essential that a definite, well-defined plan with a purpose be adopted and consistently followed to completion, and equally important that no added activities or responsibilities be assumed until this plan has been worked to a successful conclusion or proved to be impractical.

AMERICAN SPICE TRADE ASSOCIATION

Program of Activities, and Estimated Time at Which They Can be Successfully Undertaken

PROGRAM - 1st YEAR	PROGRAM - 2nd YEAR	PROGRAM - 3rd YEAR	PROGRAM - 4th YEAR
Organization			
Emblem & Slogan			
Establishment of Working Committees			
Membership Building	Membership Building	Conventions	Conventions
Conventions	Conventions	Divisional Meetings	Divisional Meetings
Divisional Meetings	Divisional Meetings	Arbitrations	Arbitrations
Arbitrations	Arbitrations	Publicity Department	Publicity Department
Publicity Department	Publicity Department	Statistical Department	Statistical Department
Statistical Department	Statistical Department	Trade Customs, Standard	Trade Customs, Standard
Trade Customs, Standard	Trade Customs, Standard	Foreign Cooperation in Advertising	Foreign Cooperation in Advertising
Foreign Cooperation in Advertising	Foreign Cooperation in Advertising	Trade Practices and Enforcement	Trade Practices and Enforcement
	Trade Practices and Trade Practice Conference	Cost Accounting	Cost Accounting
	Standardized Cost Accounting	Exchange of Operating Data	Exchange of Operating Data
	Exchange of Operating Data	Equipment Exchange	Equipment Exchange
	Equipment Exchange	Legislation	Legislation
	Legislation	Cooperation with other Organizations	Cooperation with other Organizations
	Cooperation with other Organizations	Cooperative Advertising, Publicity, Radio, etc., to increase Spice Consumption	Cooperative Advertising, Publicity,Radio,etc., to increase Spice Consumption
		Preparation of Spice Exhibits, Movies of Spice growing, propaganda	Preparation of Spice Exhibits, Movies of Spice growing, propaganda
		Improving Selling Methods	Improving Selling Methods
			Research for New Uses and Spice appeal to Public
			Employment Exchange
			Special Services on other Products.

The New Organization

The plan submitted has been inspired by the pressing need for better organized effort among all classes in the Spice trade, for the purpose of preserving their interests and increasing their place in food consumption.

The basic idea upon which this program is formulated is constructive cooperation. No one individual in this industry can profit in the long run except as other individuals in the industry prosper. Constructive cooperation is broadly recognized as the keynote to progress. This is not a fallacy, but a sound law of economics. The only other alternative is that of individual effort where unrestricted business conduct is unnatural, disorganizing, and eventually unprofitable.

The basic purpose of a trade organization of the type we are to consider is to get more business for its members - under better conditions - and at a profit.

In considering the details of this proposed plan, it will be seen that the American Spice Trade Association in its present form and with its present budget is entirely inadequate for carrying out the work, hence the following recommendations.

Name

RECOMMENDED: That name be retained - "American Spice Trade Association". The previous use of the name adds to its value. An Association is defined as a "combination for a common purpose", which well describes our proposed activities.

Incorporation

Your Association is already incorporated under the laws of New York State. This is a constructive step. In a corporate organization purposes, powers and duties of offices and directors are defined and limited, and there is less chance of deviation which might impose liability for unauthorized acts upon members. Also, financial liability of members is limited.

Trade Mark

A trade mark becomes valuable in proportion to its use and what it stands for. It should be symbolic and attractive. It should stand for quality and value and the public should be educated to look for it as a guarantee against fraud.

Members will be privileged and urged to use this emblem in their advertising, on their product, letterheads, etc. Our advertising will feature it and build up its quality meaning. Definite penalties and suspension of membership should follow its use on adulterated goods or slack filled packages. Keep its value high and the public can be made to ask for its protection. The official mark of the Association is a sign of distinction for the member, for it indicates that he and his concern are progressive and working with others in a cooperative endeavor

to improve and elevate the industry and render greater service.

A design for such mark is submitted, and approval and adoption recommended.

Slogan

The slogan recommended for adoption and use by the membership and Association in connection with the emblem and in all other places where practicable, is "Spice for Flavor".

I am aware that many slogans have been submitted in the past without definite adoption. A slogan should be brief and yet tell its story. Spice is used to give a pleasing flavor to food or drink, and should be associated with that purpose. Spice has been used to cover up poor food quality, to overlay odors, etc. We want to establish it as an appetizer, to give variety of taste in our diet.

By-Laws

Inasmuch as nothing can be done without proper organization, let us give this matter first consideration. The present Constitution and By-Laws of the Association are not so constructed as to make for the quick and successful operation of the activities recommended in this report. A complete new set of By-Laws is therefore submitted.

The By-Laws for the type of organization we have under consideration should provide and permit of the right mechanical structure for carrying on the work with authority delegated so the business can be efficiently handled with the least loss of time. They should be sufficiently flexible to permit all members to actively participate in the affairs of the Association, provide for rotation and promotion of committeemen, officers and others actively participating in the work. Among other things, they should:

1. Give equal representation in the Association, and consequently equitable service to all members.

2. Properly classify and define membership and its obligations.

3. Provide for securing of necessary funds for carrying on the work.

4. Define the duties of officers, committees and executive manager.

5. Provide for proper accounting, handling and safe-keeping of funds, records and property.

6. Permit all matters of industry interest and value being brought before the Association for prompt consideration at all times in a business-like manner, and without unreasonable loss of time.

The By-Laws retain the general convention of the Association in May, altho another meeting in January is usual in many Associations. In addition, it is thought desirable to hold a meeting in the middle west and a meeting on the Pacific Coast for the benefit of those who cannot attend our regular convention, and more specifically to discuss the problems peculiar to those respective territories. This constitutes three general meetings a year, in which your Executive V. P. will keep the entire membership in touch with the progress of your Association. Opportunity has been provided for special meetings to deal with any exigencies that may arise.

You will recognize the control of the Association is in the hands of active members only, which class of membership is the only one carrying voting power.

I call your attention to that section of the By-Laws with reference to the computation of dues. The question of the best and most equitable method of computing dues in trade organizations is a much discussed, much misunderstood and most dangerous question with which to deal, for it brings about more dissatisfaction without cause than any other subject with which I am familiar.

This question has been reviewed by me for several months, and constantly revised in the light of later knowledge. I do not claim the method suggested to be infallible. Certainly the grinder section must invest more, as they will profit most. The real purpose of any schedule of dues is to provide the necessary funds to protect and enlarge the profit possibilities of an industry. Members will always regard dues as a burden rather than as an investment which can be made to pay.

As a general thing, the smaller concern benefits to a greater extent than the larger one in direct benefits derived from the activities of the organization, but in all general benefits produced for the industry as a whole each concern participates in these benefits in proportion to size.

In computing the grinders' dues based on their Spice purchases rather than on their Spice sales, I believe this system will simplify accounting and will include the Spice which enters into other mixtures and loses its identity. At the present writing I recommend that dues be collected only on the seventeen Spice items which have been listed in the table in Chapter 2. This eliminates many large seed items and others commonly handled by our trade, such as Canary and Poppy. The dues, amounting to one-half of one percent of the purchase price, become still lower when computed on the selling price. There should be no hardship here when the prize at stake is considered. This percentage amounts to seven-tenths of a mill on pepper purchased at fourteen cents a pound. It is seven-tenths of a cent on ten pounds of pepper, and seven cents on one hundred pounds, involving fourteen dollars.

This method of taxing volume is widely used among associations composed of plants of varying size, and is probably the most equitable arrangement possible. Sometimes the smaller tonnage business may be

more profitable than the larger tonnage business, but as a rule it averages up to place the tax in direct proportion to the benefits received. Successful financing must be counted upon to produce, with some certainty, a given amount of revenue, depending upon what the work of the Association requires.

The concerns which operate primarily on a commission basis, or who are primarily direct importers, dealers, spice packers, etc., have little opportunity for profit under present conditions. These can be grouped in a Trader Section, for want of a better name. I believe that dues of one-twentieth of one percent on commission purchases of the seventeen items, exclusive of wash sales, would not increase their present dues and assessments to a burdensome extent. With a minimum limit of $80.00 per year, the revenue derived from this source would be small, but if their condition can be improved by the general improvement of their industry they would regain far more than their investment.

The entire structure of the By-Laws is quite flexible, and it is within the power of the Board to alter them as necessity or desire prompts action.

These By-Laws have been submitted to the legal firm of McKercher and Link, 17 John St., New York City, whose advice and suggestions have been incorporated. This firm has specialized as Counsel for the more progressive trade associations, and is thoroly competent to provide the best working structure available.

In order to simplify the By-Laws I have omitted a statement of their purposes as they are expressed in a general way in our articles of incorporation. It is our purpose, however, to work along the following lines:

The purpose of the Association shall be to promote general improvement in the transmission of Spice and allied products between grower and consumer.

To promote the growth of the industry thru the expansion of its possibilities, secure a wider market, correct abuses and bad trade practices; to collect and disseminate information and statistics regarding the entire industry and other matters of interest to the industry, so that those engaged therein may conduct their business more intelligently.

To procure uniformity in the customs and usages of the trade, to standardize, as far as practicable, the Spice trade, to secure improvement in methods, to conduct technical, business and market research; to maintain a high and uniform standard of product, and to secure and exchange among members such information regarding products, condition of production, cost of production, improving the merchandise, eliminating waste and expensive duplication of effort, toward rendering a better service to the ultimate purchaser and the public.

To promote, thru publicity, a better understanding on the part of the public as to the desirability of Spice in the menu, to make the

public "Spice conscious", to assist the industry to expand and take a more stable place in the food field.

This Association shall not in any way whatsoever advise concerning, or discuss or interfere in, the relations between employers or employees, nor shall it in any way deal with the fixing of prices, nor shall it foster or create, either directly or indirectly, any agreement, resolution or trade custom tending to a combination in restraint of trade.

B Y - L A W S

of the

AMERICAN SPICE TRADE ASSOCIATION

I.

Title

The title of this Association shall be the AMERICAN SPICE TRADE ASSOCIATION.

II.

Officers and Standing Committees

The officers and committees and their respective duties shall be as follows:

1. A President, to be elected by the members at the annual meeting, whose duties shall be to preside at all meetings of the Association and the Board of Directors. He shall appoint all committees not otherwise provided for. He shall have power to call a meeting of the Board of Directors at any time and with the approval of the Board of Directors shall call a special meeting of the Association.

2. A Vice President to be similarly elected who shall preside at all meetings in the absence of the President.

3. An Executive Vice President to be appointed by the Board of Directors on such salary and terms of employment as shall be agreed upon between the Board of Directors and the Executive Vice President. The Executive Vice President shall have active management of the business of the Association; he shall keep accurate records of all business of the Association and report all meetings of the Association and the Board of Directors. He shall be an ex-officio member of all Committees; he shall collect all assessments which are to be deposited to the credit of the Association; he will keep an accurate record of all finances of the Association, preserving all vouchers and reporting all financial matters, including a balance sheet each month to the Board of Directors; he shall make all disbursements and pay all bills of the Association; he shall conduct all correspondence of the Association and collect and distribute such statistical information as may be required under the rules and resolutions of the Association. He will furnish a bond in the sum of $10,000.00, the premium to be paid by the Association.

4. A Board of Directors to be elected by the members at the annual meeting and to be composed of not less than seven nor more than eleven members, including the President and Vice President. The Board of

Directors shall appoint an Executive Vice President and shall be vested with all the powers necessary for the proper management of the affairs of the Association. The Board of Directors shall also appoint annually, directly after the annual meeting, the working advisory committees provided for in the plan of organization as the same may from time to time be amended.

5. The Finance Committee, to be elected by the Association at the annual meeting and to consist of three members, the President, Vice President and one other member. The Finance Committee shall have charge of fixing dues and directing the financial policy of the Association.

6. There shall be an Arbitration Committee of five members to be elected by the members at the annual meeting. At the same time, there shall be elected five alternate members who shall serve in rotation whenever any regular member of the Arbitration Committee shall be unable or ineligible to serve. The Arbitration Committee shall select its own Chairman and its duties shall be to investigate, pass upon, adjust and decide commercial disputes arising between members or between different divisions of the Association or disputes arising in this trade. Its decisions shall be final. The Arbitration Committee will serve without personal remuneration. Any expense incurred will be paid by the parties in dispute in such proportions as shall be decided by the Arbitration Committee.

7. A Membership Committee of three members to be appointed annually by the Board of Directors. It will be the duty of the Membership Committee to solicit, or cause to be solicited members for the Association, and to investigate and pass upon all applications for membership and to report promptly its decision to the Executive Vice President.

8. A Contracts Committee of five members shall be appointed annually by the Board of Directors. The duties of the Contracts Committee shall be to make studies of contracts, weights, tares, deliveries, defaults, declarations, packing, grades and sampling to the end that uniformity of practice in the purchase and sale of commodities may be promoted. Rules, codes and regulations adopted by the Contracts Committee shall be reported by it to the Executive Vice President for action by the Board of Directors and the Association and if and when adopted by the Association, such codes, rules and regulations shall have the same governing effect as these By-Laws of the Association.

III.

Membership

(a) Any person, firm or corporation, having a regularly established place of business, engaged in the production, transmission or distribution of Spice or allied merchandise, shall be eligible for membership and may apply for same under their proper classification, as follows:

(b) Class 1, Active Membership: Any person, firm or corporation having a regularly established place of business in the United States of America, may apply for Active Membership. Active Membership carries all rights and privileges, including voting power.

(c) Class 2, Foreign Membership: Any person, firm or corporation having a regularly established principal place of business or headquarters outside of the United States of America, may apply for Foreign or Non-Active Membership. Foreign Membership shall have no voting power, but otherwise shall be entitled to all rights and privileges of the Association, except that they shall not be eligible to hold any office in the Association provided for by these By-Laws.

(d) Class 3, Sustaining Membership: Any person, firm or corporation having a regularly established place of business, may apply for Sustaining Membership. Sustaining Membership shall have no voting power, but otherwise shall be entitled to all rights and privileges of the Association, except that they shall not be eligible to hold any office in the Association provided for by these By-Laws.

All applications for membership must be made in writing to the Executive Vice President of the Association, who shall give notice to all members of such application. The application shall be then referred to the Membership Committee, which shall investigate and pass upon the eligibility of the applicant. Upon receipt of the decision of the Membership Committee, which must be unanimous, the Executive Vice President will bulletin such decision and if, after the expiration of twenty days, no objection to such membership is received from any member, the applicant shall be deemed to be elected to membership. If an objection is received in accordance with these provisions the application for membership shall be referred to the Board of Directors and their decision thereon shall be the decision of the Association. The acceptance of election to membership by payment of dues or initiation fee shall bind members to abide by the By-Laws of the Association.

Members will, for purposes of operation of the business of the Association and for purposes of assessment, be divided into groups. The classes with entrance fees and annual dues shall be as follows:

Class 1 - Active Membership

(a) Grinder Section: The entrance fee shall be $50.00. The annual dues of each member shall not exceed $2,000.00, nor be less than $120.00 and shall be fixed by the Finance Committee, subject to the approval of the Board of Directors, and be based on one-half of one percent of the invoice value of their calendar year's purchases of the following seventeen major Spices listed by the Department of Commerce:

Black Pepper	Nutmeg	Ginger Root
White Pepper	Cloves	Cumin Seed
Cassia	Pimento	Cinnamon
Caraway Seed	Capsicum	Celery Seed
Paprika	Vanilla Beans	Mace
Mustard Seed	Mustard Ground	

(b) Trader Section: The entrance fee shall be $25.00. Annual dues shall be fixed by the Finance Committee subject to the approval of the Board of Directors and shall be not more than $200.00 or less than $80.00 and shall be based on one-twentieth of one percent of the invoice value of bona fide purchases during the calendar year of the seventeen articles set forth in subdivision (a).

Class 2 - Non-Active Membership

(a) Foreign Section: The entrance fee for membership shall be $25.00, and the dues in this section shall be $25.00 per year, payable semi-annually.

(b) Sustaining Membership: There shall be no initiation fee. Dues shall be $200.00 a year, payable semi-annually.

Assessments: No assessment may be levied by the Association upon its members, except by a three-quarters vote of the voting members present at a special meeting, of which ten days' written notice shall have been duly given. Said notice shall state the time, place and purpose of the meeting. No assessment shall be levied upon the non-voting members without their written consent.

Special: Each member shall be liable for dues from the date of election to the end of the calendar year in which he shall be elected and resignation shall not excuse payment of such dues. The calendar year shall begin on the 1st of January of each year and end upon the last day of December of the same year. All dues will be for a six months' period, except that newly elected members will be billed from the beginning of the nearest quarter preceding the date of election.

IV.

Meetings

Annual Meeting: The annual meeting of the members of the Association shall be held at the time and place designated by the Board of Directors during the month of May of each year.

Special Meetings: A special meeting of the Association may be called at any time by the President, or Board of Directors; or by request of fifteen members in good standing, in writing to the Executive Vice President; ten days' notice of the meeting and its object shall be given to all members, and nothing but the object stated in the notice shall be considered at such meeting.

Special meetings of various groups and divisions may be held under the auspices of the Chairman of such division, to be selected by its members. Narrative minutes shall be made of such divisional or group meetings and filed with the Executive Vice President to be considered by the Board of Directors at its next regular meeting.

Directors' Meetings: The regular meeting of the Board of Directors shall be held on the second Wednesday of each month at such place as may be designated therefor by the Board of Directors.

Special meetings of the Board of Directors may be called at any time by the President, or by any two Directors. Three days' notice shall be given by the Executive Vice President to all the Directors, of such special meeting.

A quorum of the Association for the transaction of business shall be twenty members.

A quorum of the Board of Directors for the transaction of business shall be four members.

A quorum of the Contracts Committee shall be four members.

At the regular monthly meeting of the Board of Directors held prior to the date fixed for the annual meeting of the members of the Association, the Board of Directors shall select a Nominating Committee, consisting of three members of the Association, who shall recommend to the members present at the annual meeting the candidates for the offices to be elected. The recommendation of the Nominating Committee shall be delivered to the Executive Vice President at least fourteen days prior to the date fixed for the annual meeting and the Executive Vice President shall forward to the members of the Association the recommendations of the Nominating Committee.

V.

Resignations.

Any member of this Association in good standing who desires to resign or withdraw may do so by giving notice in writing to the Executive Vice President and shall thereupon forfeit his right or claim to any part of the funds of the Association which shall then become the property of the Association.

VI.

Expulsions

Any member of any class may be suspended or expelled at any time for cause or causes deemed by a majority of the Board of Directors to be detrimental to the interests of the Association, and/or its membership by the affirmative vote of a majority of the Board of Directors at any meeting thereof, but no such vote shall be taken until such member shall have been advised in writing of the charges preferred against him and shall have been given at least two weeks' notice of the time and place when such charges will be heard and considered by the Board of Directors, and every such member shall have a right to appear before the Board of Directors and be heard in answer to the charges before a final vote shall be taken thereon by the Board of Directors.

VII.

Order of Business

The order of business at all meetings of the Association shall be as follows:

1. Roll Call.
2. Reading of minutes of previous meeting.
3. Reports of officers.
4. Reports of committees.
5. Communications.
6. Unfinished business.
7. Members' individual reports on conditions and the general business situation.
8. New business.
9. Election of officers.

VIII.

Amendments

These By-Laws may be amended by a two-thirds vote of the voting members present at any meeting held for such purpose, ten days' notice of which has been given in writing, including copy of proposed amendment, to all members.

IX.

No member or group of members shall have the right or authority to issue any general or circular letter relative to Association matters to the membership at large without first having it submitted to and approved by either the Executive Vice President, Board of Directors, or a majority of the membership present at any general meeting of the Association.

Plan of Organization

These By-Laws provide the mechanical set-up and business structure, or organization, of the Association.

The accompanying chart shows the suggested structure and one can visualize readily how the work of the Association is to be carried on, by whom various matters are handled, in whom responsibility is placed, and the inter-relation and jurisdiction of officers, committees and operating staff.

All activities of the Association are for the purpose of improving the industry, benefiting members of the Association and consumers of its products. The general membership is vested with authority thru its voting power to regulate broadly all general policies and projects undertaken by the Association. Theirs is the right to vote changes in the By-Laws, to select the members of the Board of Directors and pass upon all major matters facing the organization.

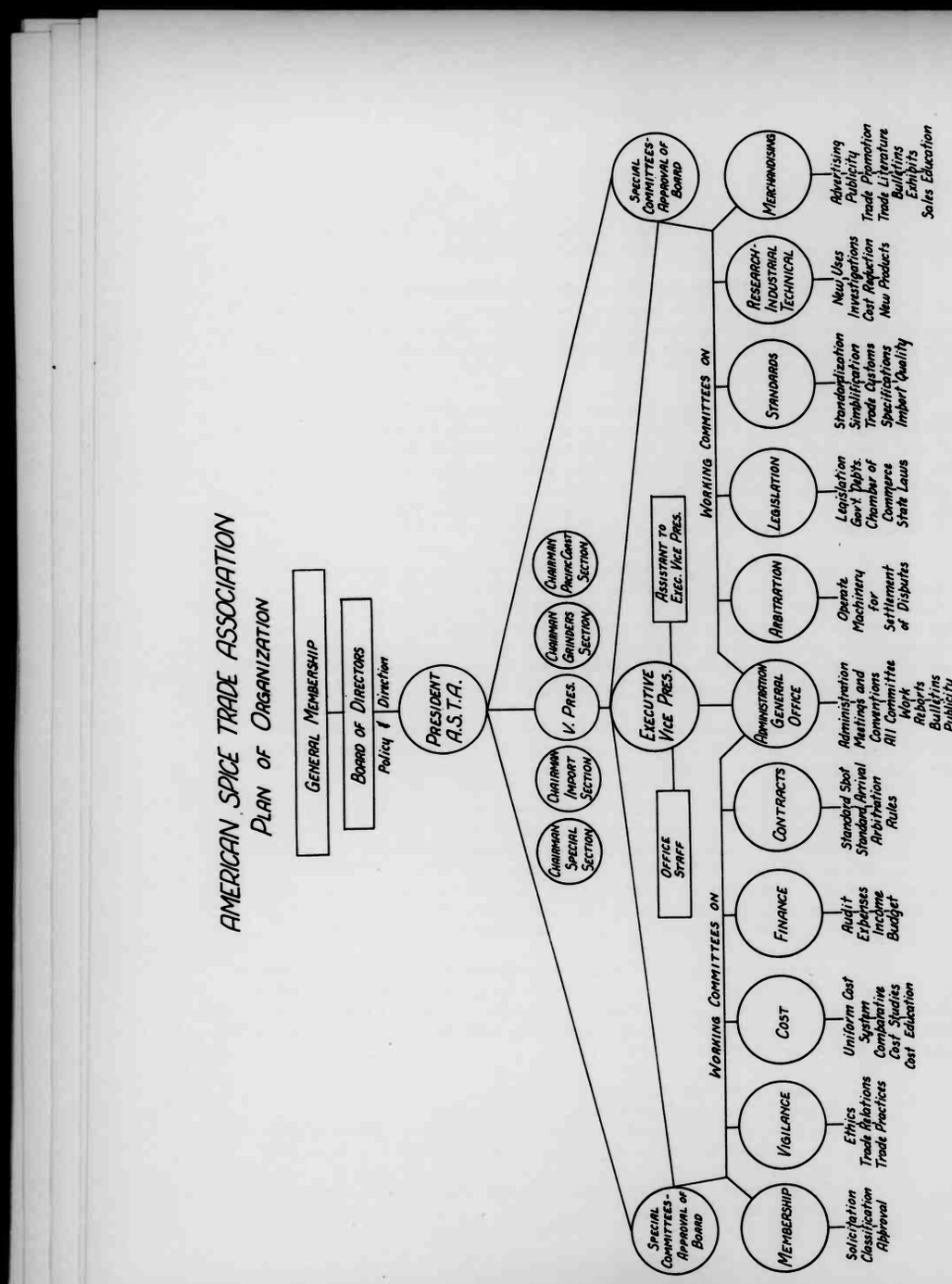
In the chart is suggested an Import Section, or Traders' Section, composed of all those who are primarily interested in the transmission of Spice from grower or importer to the grinder or large consumer. A Pacific Coast Section is also shown as it may be possible to build up an active local section whose problems differ from the eastern section and who can be benefited by more direct contact with each other and with the main association by means of an annual West Coast convention.

The various committees shown may be varied or duties may be joined together where their objectives parallel. The Board of Directors have complete power to arrange these as they may desire.

Under the Board of Directors, and responsible to them, is the Executive Vice President, into whose hands the active work of the Association is entrusted. His duties comprise the general conduct and administration of the affairs of the A.S.T.A., management of its office and operating staff, handling of finances, and general responsibility for results. A trade association is a business operated for the profit of its members; it must be operated like a business to secure results.

All regular working committees are appointed and approved yearly by the Board of Directors, and work with the Exec. V.P., who is a member ex-officio of all working committees. Reports of committees may be made in any of four different ways, depending upon the most practical disposition of the problem in hand:

1. Directly to the Board of Directors,
2. Directly to the Membership,
3. To the Exec. V.P., who in turn includes the report with his own recommendations delivered to the membership or to the board, - or,
4. To the Exec. V.P., for his specific guidance in handling a particular problem.



The New Organization

A further examination of the Plan of organization will show the duties, jurisdiction and matters to be handled by specific committees. This enables immediate reference to matters requiring committee action to the proper working or advisory bodies.

If a situation or matter arose not classified under the specific subjects assigned to each working committee, or if, in the judgment of the Board of Directors, the matter in question could best be handled by a special committee, provision is made and the President empowered to appoint such special committee.

It is planned that the personnel of working committees will not, as a rule, exceed three members, thus permitting of the speedy transaction of business either by mail or thru committee meetings. In many instances these committees function largely in an advisory capacity to the Board of Directors, the Association and the Exec. V.P., while the detail work is handled by the executive office of the Association.

The entire framework of organization constitutes a simple, effective structure adapted to the successful prosecution of the recommended Program of the Association.

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Chapter 7.

THE NEW PLAN

The preceding chapters have pictured the Spice Industry as I find it today. That picture is dark with declining consumption and demoralized conditions which may get worse before they can get better. I say this because until the Spice Trade is forced into close cooperation by economic pressure, it may maintain its destructive tactics where many are for themselves and few are for the betterment of their industry. Yet this latter is the real starting point, for if Trade Ethics, Practices and Performance can be standardized, the other factors automatically fall into place like the pieces of a jig-saw puzzle.

There will be some in your industry who will want a free ride. Whenever a cooperative program is undertaken, whether it be civic improvement, unemployment relief or new furniture for the club, there are always some individuals in the community who are unwilling to subscribe their share in the beginning of the new movement.

It has frequently been stated with reference to trade associations that the members get out of their activities largely what they contribute in time, energy and money. It is also true that every man owes a portion of his efforts and dollars to the development of the industry upon which he depends for his livelihood. The man who is unwilling to drop his fare in the box like the rest of the passengers is eventually thrown off the car. He cannot identify his business in the trade with the ethical standards set up by the Association, he cannot directly profit by the information, suggestions and ideas which emanate from a hundred experienced concerns and from their association headquarters where special studies in many lines of progress are carried out. He is a lone wolf, and even the government puts a bounty on wolf hides.

The new By-Laws give us a working structure upon which to build our numerous activities. These are outlined in the accompanying plan which indicates four constructive years of activity to which we must adhere. Deviations from this plan will scatter our energies and leave some of the vital things unfinished. It is better to do few things well than many things poorly. Once this four-year-plan is approved by the entire membership, it is our best safeguard for a continuity of effort.

In this chapter these different activities will be discussed and made clear up to the point where the Board of Directors can carry on according to their policies. I would like to write a hundred pages on the possibilities of these activities, if time permitted. They cannot all be definitely charted at this time, as conditions will influence the original plans. I can, however, give you my ideas drawn largely from similar activities in other trade associations. If I tell you things

with which you are well acquainted or which you have already performed, bear with me for the moment, as your Association has a long history, and I do not know it all.

The Organization and the Emblem and Slogan have been proposed in the preceding chapter. They await your endorsement.

The establishment of Working Committees is the next most important step for the Board to decide. These committees are usually composed of three members, unless a larger unit is desired.

Finance Committee

This is a new committee for your Association, and its formation dispenses with the need for a Treasurer. Its duties are extremely important, because it will handle all matters pertaining to the payment of dues and Association income, expense, statements of the Executive Vice President, audits of the Association books and budgets.

The payment of dues as outlined in the By-Laws requires a set of rules for conduct. Monthly statements as to purchases on taxable items must be forwarded to the Executive Vice President, who will invoice each active member either semi-annually, as provided in the By-Laws, or quarterly, if the membership so elect. These monthly statements can be one figure in dollars for preliminary purposes, but members' books must be so arranged that a certified public accountant can audit purchases quickly should it be desired at any time. The purchase statements of members to the Executive Vice President are confidential.

If the Board or the Committee so elects, these dues can be made retroactive to January 1st, 1931, and the dues already paid can be deducted from the first half-year payments of members. I only mention this to give our Association a financial start toward its larger program, which requires immediate funds. While it may be difficult for some of our members to give a current six-months' accounting of purchases, a close estimate would be acceptable. The calendar year and its proper division will prevail. The status of what is a purchase of Spice can be determined by the Committee.

The project of raising funds in primary markets for Spice promotion advertising will be carried on by another committee, as these funds, if secured, are not Association property.

Membership Committee (5 Members)

This Committee has the direction of building up the membership, passing on eligibility and proper classification of applicants and approval of firms seeking membership, subject to final approval of Board of Directors.

I believe that the Association now represents a substantial majority of the tonnage in the Spice trade, but if we are to make a thoro success of our new program, every interested concern who will profit by a

membership and by improvement in Spice trade conditions, should share in the movement.

It is therefore recommended that we make the present membership thoroly familiar with the new plans and purposes of the Association, and then begin at once an aggressive campaign to inform the entire industry and solicit their support by the following methods:

1. By letters, bulletins and this Survey,

2. By personal effort of your Exec. V.P. and staff,

3. Thru cooperation and help of present members, by personal solicitation and letters,

4. By meetings at those points where prospects are concentrated.

Beside the membership of the Association, there are listed about one hundred grinders and agents whose classifications have been found to be unreliable in many instances. A thoro sifting of these prospects should add about twenty new member-prospects, eligible and interested in Spice improvement.

While a larger membership is desirable, all applications should be carefully considered by the Membership Committee and Board of Directors from the standpoint of financial responsibility, reputation, trade practices, sales policies and a voluntary desire to submit to the regulations of the Association and contribute to its purposes and aims. A membership can be made so valuable that those who do not live up to these qualifications can be dropped.

Conventions

The By-Laws call for one general Convention a year, to be held on the second Wednesday in May. I believe that in 1932 this Convention should be a two-day affair, at some resort to be selected, and that the wives of members should be encouraged to meet each other. Our Association is particularly interested in bringing competitors together so that they can exchange ideas, talk over problems and know each other better. Suspicion, distrust and misunderstandings give way before this treatment. Every one has more good than evil in his nature which, once recognized, solves many problems. I believe our former contacts have been too few and too hasty for the best results. Suitable entertainment for men and women would combine business with pleasure.

Divisional Meetings

Spice Grinders' Section

It is contemplated that under the general operation of the Association the specific problems of a particular group can be most effectively met within the group itself, and it should be the purpose

of the Exec. V.P. to organize these groups so that matters pertaining to their branch can be efficiently handled. If the Association is well-organized and functioning as it should, there is no reason why meetings of these divisions could not be held at any time or place, as the necessity or desirability arose.

While it would be possible to organize an Eastern, Midwest and Pacific Coast Division, I believe the first two have so much in common that outside of a longer distance to travel in attending meetings, they could best consolidate. Problems of raw material, processing and merchandising with trade customs and trade practices should be lined up in advance of meetings by circularizing members so that adequate preparation will insure profitable attendance.

In the final analysis it should be recognized that much of the most valuable work on the part of the Association is educational and is accomplished largely thru the personal efforts of the Exec. V.P. and the paid staff in their contact with individuals in the industry.

Pacific Coast Section

At this time the Association has five members on the Pacific Coast, three of whom are grinders and the remaining two are agents. The listed prospects follow:

	Grinders	Agents
California	8	5
Oregon	1	—
Washington	2	1
Totals -	11	6

Outside of our present membership there are seventeen prospects whose standing and eligibility are now being investigated by our West Coast members. Our contacts with these members have been few, if any, and to give them a more active part and voice in our Association affairs requires a separate division and yearly meeting where special problems can be discussed. This division should be organized, new members solicited, and a meeting arranged at which the Exec. V.P. could tell the plans and progress of Association affairs.

Importers' or Traders' Section

The future of this group of importers, dealers, agents, brokers and all those interested in the transmission of Spice to intermediate or final consumer hands, lies within itself. I believe that they should organize a separate section to study their position as a whole, and to devise ways and means of making their position more secure and to regain, thru constructive service of the highest type, as much of their former importance as possible. Also, I believe that statistical

research of world production and consumption, of price fluctuations as compared with other barometers, of frequent cabled information from foreign consuls and correspondents, of consuming demand trends in the United States, and other factors which have weight, will largely take the "guess" out of their business and substitute facts and knowledge. As this work will benefit the whole industry, your Exec. V.P. plans a statistical division which can be built up as time and funds permit.

An industry which has no invested capital or control in its sourse of raw material should at least know all the available facts about it. I have not yet found that the Spice trade has these facts or that they are properly coordinated in the light of statistical method.

This group should lend its weight and influence toward securing Government and Chamber of Commerce cooperation in frequent cables from resident officials in major Spice centers on crop conditions, stocks on hand, and price indications. It should do the same toward furthering a cooperative advertising campaign to increase Spice consumption, partial funds for which should be raised in primary markets where some of the benefits will remain.

Its excellent work in arbitration should be supervised still more strictly in the interests of justice and high reputation. Its work on the quality of imports, their inspection and rejection, should be carried on vigorously not only here, but should reach over to export countries and tighten their regulations. If desirable, a Trade Practice Conference on imports and their regulation should be called, wherein a Code of Ethics could be adopted to set a high standard of conduct for the members of their division and accompany their Standard Trade Customs as detailed on the Standard Arrival and Standard Spot Contracts.

There is much that this group can do in stabilizing their position in the trade, promoting better trade practices and furthering the promotion of their industry as a whole. There are about twenty concerns not now members of this Association, engaged in this line of work. Some of these must be eligible for membership. Your Exec. V.P. will gladly cooperate in building up the prosperity of this division thru cooperative meetings.

Arbitrations

This work has been discussed in previous paragraphs, and is well standardized. It has been suggested by a member that both parties to an arbitration held under the rules of the A.S.T.A. should be members of our Association, thus placing a premium upon membership in trade, performance and prestige. I have not all the data necessary to judge this move.

Our Association should be permanent members of the American Arbitration Association, which is doing a splendid work. They are largely responsible for effective laws in ten states, and the Federal

Congress, under which any agreement to arbitrate a business dispute is valid, irrevocable and enforcable by the courts, and the award rendered may be entered as a judgment upon which execution may be issued. Nearly all of the remaining states have some form of more limited arbitration statute. Incidentally, practically all of the countries of Europe and of Latin-America also have arbitration laws of varying degrees of enforcement.

It is possible that the low cost of arbitration under A.S.T.A. rules has multiplied the number of cases, and increased the work of our Arbitration Committee. Where it is an even chance of securing a small allowance on a sizeable shipment it is well worth the slight expense to try for it. This places arbitration in a profit-gaining class quite removed from its serious purpose.

The selection of members for this committee work and the appointment of arbitrators to represent the principals are matters of major concern which involve the prestige of this Association in the entire Spice trade and allied industries. Those members who, thru temperament and experience, are found to be best fitted for impartial decisions, should be persuaded to carry the bulk of this work.

Publicity Department

The history and cultivation of Spice, its use for making savory dishes and condiments, and the progress of various aspects of the Spice trade, are excellent subjects for publicity. If we can tell the public about it in a convincing way, if we can offset the propaganda which is cutting into the Spice market, we will be building good-will and demand.

Publicity is a big subject. It now embraces the printed word, the movie, and the radio. These are all consumer appeals and may be employed in time. Our immediate object is to tell our members those useful things which directly affect the welfare of their business.

Our present service consists of weekly bulletins on market price and on cargo vessels. A monthly statement of imports and a yearly summary of imports by country of origin are also released. To these can be added the findings of the Statistical Department, of the various committees working for improvement of conditions, of comparative studies on costs, packaging, grinding, merchandising, management, business conditions and legislation.

This Association is constantly in receipt of inquiries for information on Spice from libraries, teachers and pupils. The school girls of today are the meal preparers of five years hence. They are at the impressionable age where convincing stories on Spice will be retained and utilized later. Hundreds of these inquiries remain unanswered in our files for lack of proper literature. The preparation of a new Spice Book will be an early duty of this department.

The Association has received many calls for colored slides and movie reels of Spice growing and preparation. It has been asked to furnish exhibits of different Spices and articles on particular subjects. The requests for Spice statistics of special kinds have been largely referred elsewhere, as the budget did not permit of added activities. All of these are opportunities for propaganda, unfulfilled. Markets cannot easily be retained in this way.

It is recommended that the Association establish a Publicity Department at the earliest opportunity, to function along the lines and for the purposes indicated above.

Statistical Department

Important to the progressive executive are accurate, authoritative facts and figures showing positive industry trends and trade tendencies to enable him to gauge operations, the supply and demand and, most important, the probable price situation. The Secretary of Commerce, Honorable Robert P. Lamont, in commenting upon these facts, stated "An important factor in making possible the exercise of such foresight is the great and growing volume of current statistical information furnished to the public by the government and by private organizations. Moreover, business men, and in fact all people, have learned to make more constant and more intelligent use of such statistics in the guidance of their affairs".

Chapters 1 and 2 are good examples of statistical information of a practical kind, having an important bearing on the future conduct of the Spice trade. I believe that much of these two chapters are new to a majority of our members, or, if not new, have never been properly analyzed before. This work should be carried much further and to more definite conclusions for the benefit of our members.

The Statistical Division classifies, studies and prepares reports to be issued by the Publicity Division. This includes the work of tabulating grinders' departmental costs and averaging operations for the benefit of those members who contribute monthly cost figures. What to gather, how best to secure it, the period to be covered, the method to be pursued in collecting it and its compilation and mode of presentation are matters for suggestion and decision before such work is undertaken. Items on which regular statistics are to be gathered should be studied and determined upon by the Exec. V.P. and approved by the Board of Directors. The work should be started as soon as possible.

This division should also receive the monthly reports of purchases of the seventeen items taxable for dues and keep these records. It will eventually want monthly sales records in pounds, dollars and container size so that the total volume of members' Spice business will be available for collective bargaining for legislation here and abroad, for freight classifications, for tariff and for comparison with government imports. We need mass weight and unity of purpose to present a

solid front. We need exact figures to show that our Association is modern, dominant and does not need to guess.

Standard Trade Customs

These embrace the terms and conditions under which Spice is bought and sold, place the responsibility for various factors connected with the transfer of Spice, and set forth trade usages as a guide to both parties. Our Standard Arrival and Spot Contracts are excellent examples of Standard Trade Customs. These are growing rather long to be reprinted on the backs of these contracts. It is quite possible that the language employed could be condensed by re-editing rather than enlarge the size of the sheet which would then be awkward for filing.

In the grinder section I believe a standard custom should be formulated regarding the payment for printing plates and labels used for private brand contracts. Abuses have crept into practice which have resulted in losses to grinders when orders have been reduced or cancelled. I recommend that the Committee take this matter under advisement.

Code of Trade Practices

This code is scheduled for the second year of activity, but I know of no other action which is more greatly needed at an early date. A code regulates to some degree the business conduct and competitive methods between concerns in the Spice trade. It tends to hold in check those unethical and uneconomic practices which are destructive to your industry and your legitimate profits.

In the achievements of your Association to date and in pursuance of the high ideals set forth in the new plan of operation, it follows as a logical conclusion that to attain greater progress the Association must set up, adopt and enforce a Code of Trade Practices that will further promote high ethical standards of business conduct and practice. Law and legal procedure do not meet the requirements. You, as intelligent men in industry, must accept responsibility for fair and intelligent business procedure.

While Codes of Ethics have been real accomplishments in many trade associations, it is not easy in an industry like this, with men of different activities and viewpoints and with diversified production and selling methods, to establish a common ground for action upon which all will agree and to which all will subscribe, yet it is possible, and can be done.

Courageous trade associations today, in full convention assembled, are reading a member out of the organization if he fails to keep the ethical standards set by the organization for its members. When the association has developed its general prestige to a higher plane, organized pressure is unusually effective in curing many evils and in making the trade group mean something far greater than it has before.

Special Insert on Trade Practices

The government and the Federal Trade Commission desire to protect business from unfair competition so that business may prosper, give steady employment to labor, and pay taxes and dividends to help the general prosperity of the country.

The Federal Trade Commission has recently announced a model set of rules as a type of Code that will be approved in the future. Its definition of unfair trade practices includes:

1. Secret rebates or discounts or privileges.
2. Price discrimination.
3. Maliciously inducing the breach of contracts between competitors and their customers.
4. Selling below cost to injure a competitor.
5. Commercial bribery.
6. Defamation of competitors.
7. Maliciously enticing away competitors' employees.
8. Delivering goods below sample.
9. False advertising or misrepresentation.
10. Shipping on consignment.

Numbers 1, 2, 3, 4, 7 and 10 are unfair when the intent and effect may be to injure a competitor, or may tend to lessen competition substantially, or unreasonably to restrain trade.

Summing up what the trade association can do, we find that it is permissible to make complete exchanges among competitors of statisties dealing with stocks, production, costs, sales and prices on closed transactions. Exchange of information on asking prices is legal, but is open to suspicion because this intimate detail is a private matter.

Whether an agreement not to sell below cost is legal, or a violation, is doubtful. It is on the border-line, and there are no decisions.

The Department of Justice has been criticized because it has accepted so many consent decrees instead of trying anti-trust cases and clarifying many points of law. When the defendant asks to be allowed to sign a consent decree and concedes every point at issue the Department has no alternative. The reason is interesting. Should the government win a verdict under the Sherman Act, that verdict is prima facie evidence against the violator thereafter in any damage suit by any person. Then the law calls upon the jury to assess damages caused by the illegal act and the court multiplies this award by three. A consent decree is not evidence in any subsequent suit. Defendants therefore are not going to trial unless very sure of their innocence.

The government recognizes that fair trade practices must be set up, and followed thru to prevent chaos in industry. In the Federal Trade Commission it provides the machinery for assisting various industries to develop codes of business practice thru the medium of the Trade Practice Conference. Over sixty industries have already availed themselves of this method of outlawing at a given time all unfair methods condemned at the Conference and thus placing all competitors on an equally fair competitive basis.

Self regulation without rules would be impossible, and rules without power of enforcement are futile, but here the power rests to a great extent upon a disinterested governmental body whose primary interest is the interest of the public. The mere fact that the power exists eliminates the necessity for its frequent use.

It is not my province here to outline a Code of Fair Trade Practices for the Spice trade, which can be much more effectively drawn up by the proper committee. On this subject of enforcement, however, such a Code could well end with the following resolutions:

> "It is the sense of this conference of the industry at large that complaints of violation be made to the governmental enforcement bodies only after the industry itself has attempted correction, and ------ that this conference request the American Spice Trade Association to establish a tribunal to which all violations of these regulations shall be referred in the first instance for investigation and adjustment."

In order that unfair methods of competition may be eliminated in the Spice trade, it seems desirable that this Association take the initiative in arranging for a Trade Practice Conference, which will result in the adoption of a Code of Fair Trade Practices having the approval and support of Governmental authority.

I recommend the matter be referred to the Vigilance Committee, with instructions to work with the Exec. V.P. in the planning, completion and adoption of a Code of Trade Practices, with full authority to employ the necessary help and advice to bring this matter to a successful conclusion.

Foreign Cooperation in Advertising

It is desirable to commence negotiations at an early date to ascertain if the British and Netherlands Colonial Governments will cooperate with the American Spice Trade in cooperative advertising to check the decline in Spice consumption and build up the public demand.

I believe that several foreign governments are thus cooperating in furnishing export tax funds for propaganda for coffee, tea, cocoa, silk and possibly other commodities. These are usually sponsored by powerful trade organizations which influence their governments to collect a tax used solely for the purchase of advertising space in conjunction

with funds raised in the United States by associations here.

The subject is complex and will require much effort over several years before it can be known as to whether this method of partially raising funds for consumer promotion can be carried out. Spice is not a major item. Its importance to Colonial governments is small. We import about ninety million pounds of Spice a year. If we could collect one-fifth of a cent per pound on half this amount it would provide ninety thousand dollars ($90,000) to aid in our efforts to expand the markets upon which many primary growers depend for their livelihood, their purchasing power in their communities and their ability to pay taxes to their Colonial governments. American money is a factor in those localities.

There are three methods to be considered in raising advertising funds to supplement our own efforts:

1. Participation of foreign governments,

2. Participation of the U.S.Customs in collecting a tax for this purpose,

3. Voluntary agreement among all Spice importers to furnish a tax amount.

The very small tax levy required would, under no circumstances, impose any hardship upon the Spice trade or upon the public. It would, in fact, cost nothing to the Spice trade, because itwould more than make up its cost in larger turnover. In England today, the Eat-More-Fruit Association has arranged a duty of three cents a box on all fruit imported, and is using the fund for advertising to increase fruit consumption there. If other associations can do this, why should the Spice trade not make the effort?

I refer this matter to the Board of Directors, who can assign it to a special or a regular committee for extensive investigation in collaboration with your Exec. V.P. All present methods of raising cooperative advertising funds should be studied before approaching primary sources with a plan. The whole A.S.T.A. membership should be interested in working this out to a successful operating basis. It will help to carry an initial expense which must be assumed by some group before the direct benefits make it self-supporting.

Cost Accounting

The committee on Costs regulate matters pertaining to a Uniform Cost System, Comparative Cost Studies and Reports, and the selling of sound cost methods to the industry. This highly important work is scheduled for the second year of the program, and should be one of the keystones for better conditions and profits among the grinders.

The Cost Committee should revise our basic cost schedules, which

are no longer representative of the actual average cost of packaging in bulk and in containers. Our Association cannot afford to put out any information which is not strictly accurate, because it leads to disregard which hurts the prestige of the sound Trade Customs we employ.

At the mention of sending outside of his office any of his cost data, the average business man shies away. Yet in those industries which have adopted this method, the savings have surprised everyone. This is so because monthly comparisons in your own business do not show up losses from the very best practice. They only give comparisons with your same methods in previous months. Your competitor may know more about one operation than you do, and you may have something to offer him in exchange. Multiply this by forty, and a membership in your association becomes a valuable asset - something those not in the association cannot meet.

In the Steel Foundry Industry I have seen savings up to $20,000 per year effected by plants which believed they had nothing more to learn.

In previous chapters the advantages and absolute necessity of accurate cost accounting has been stressed, and will not be expanded further. I submitted our former Cost Plan to Mr. H. S. Bartholomew, an Expert Cost Accountant serving several trade associations along uniform cost accounting lines. He reviewed this, and has written me the following comments:

"UNIFORM ACCOUNTING AND COST METHODS

"One of the most important phases of Association work is the formulation and introduction of Uniform Accounting and Cost Methods. That your Association recognized the benefits to be gained by such a move is evidenced by the fact that in 1921 you took the initial step and issued a pamphlet on Uniform Cost-Finding Methods for the Spice Grinders' Section of your Association.

"Whether or not this plan was very widely used, it was certainly a step in the right direction, and your Association is to be congratulated upon recognizing the importance of this subject as far back as ten years ago.

"The plan submitted in 1921 to the Spice Grinders' Section of your industry embodied some excellent principles and methods in cost-finding practice. I refer particularly to such features as:

"Use of Standard Costs,
Provision for Control of Raw Material Costs and Shrinkages,
The Principle of Distributing Fixed Charges to Departments,
The effort to obtain Cost by Commodities,
The effort to increase Operating Effiiciency thru Comparisons of Actual and so-called "Standard" Costs.

"Altho not universally used thruout your membership, some individual organizations undoubtedly benefited thru the use and application of

the above principles.

"A detailed examination of the Cost Plan as submitted in 1921 reveals the fact that it is inadequate in the light of today's requirements, and as explained in your manual is indefinite, and also lacks the very important feature of uniformity in methods.

"Considerable progress has been made in accounting and cost methods in the last ten years, and consequently the 1921 Cost Plan needs revision. The revised plan should embody some of the best features of your original cost plan. In bringing your Accounting and Cost Plan up-to-date, great care should be taken to place the plan before your members in a more definite and clear manner, thus encouraging its more general use. A Uniform Plan should clearly define each element of cost and recommend one best way of accomplishing results.

"The lack of uniformity and failure to clearly define the various steps in cost accumulation, or recommend one best method, is exemplified in several instances in connection with the treatment of the Service Departments.

"For example, in connection with some of the service departments, as many as three different bases for the distribution of one particular service department are spoken of, all of which would affect the final cost in a different manner, yet none of the three methods of distribution is definitely recommended as the uniform method to be used thruout your Association.

"I also find lack of uniformity in connection with the recommendations for distributing certain costs such as power, and the allocation of certain items composing fixed charges to departments. The method of distributing service department expenses to the various operating departments, and to commodities, can be greatly simplified and clarified under more modern methods of Cost Accounting.

"Some of the bases used for distributing the service departments are purely theoretical and not representative of actual operating conditions. In examining the journal entries recommended in connection with the transfer of charges and credits between departments, I find them indefinite and incomplete.

"The use of standards deserves special mention. I believe your industry is particularly well-adapted for their use. By means of the so-called 'standards', you can obtain cost results without excessive clerical work and also thru accumulating standard costs you can obtain some measure of the performance and the results in each department.

"In this connection, we wish to point out that standards based on past performance or test runs frequently become unsatisfactory as a measure of performance. The greatest benefit is derived from the establishment of a standard based upon a careful study of an operation to determine what the operation should cost, which is far more essential to operating efficiency than to know what it has cost in the past or what it

might have cost on a particular test run. Operating conditions should be properly standardized before undertaking to establish the unit time in which an operation should be performed. The effectuality of any comparisons between standard and actual costs can be very misleading if loosely set or only approximate standards are set, and I believe this should be given careful consideration by the individual operators in your Association who make use of standards to determine their operating efficiency.

"The lack of definiteness and uniformity in the 1921 Cost-Finding System is also borne out by the fact that two optional methods for applying Commercial and Selling Expenses to the commodities recommended, but neither one definitely defined as the one best method to be used thruout the industry.

"I mention these facts, not with the idea of criticising the work which has been accomplished in your industry in connection with Cost Accounting progress, but simply to emphasize the fact that a Uniform Plan, to be successful and universally used, must be clear-cut and definite in its recommendations, and should cover every step in cost accumulation in a clear and concise manner.

"I believe that your Association should persevere in the establishment and more universal use of Uniform Accounting and Cost Methods. The benefits accruing to the individual members and to the entire industry are far-reaching in their effect. With further progress in view, I recommend that the following steps be taken in connection with revamping and bringing the Uniform Plan up-to-date:

1. A Uniform Cost Formula for figuring or predetermining costs of commodities in bulk and packed, ready for shipment, should be established with each factor of cost clearly and definitely defined.

2. A Graphic Chart should be drawn, showing the exact operation of the system from the purchase of materials and initial expenditures, tracing them thru the various departments and factors of cost, to the final cost of shipment.

3. A new Chart of Accounts should be arranged and expanded upon to meet more modern operating conditions and to more nearly conform with Government and tax requirements.

4. The methods of distributing various classes of Fixed Charges to departments, as well as the distribution of service and other general expense, should be carefully studied and placed upon a more logical and accurate basis.

5. A group of Standard Journal Entries, clearly and definitely defining these distributions, should be established.

6. All Forms should be redrafted with the idea of speeding up the cost work and making use of modern mechanical methods

for accumulating costs and facilitating accounting procedure.

7. The Revised Plan should include the better features of the old plan and a complete Cost Manual should be compiled which would include all of the above features in printed form for distribution.

8. The revised Cost Manual should be compiled by a firm of Cost Engineers, thoroly experienced in the formulation of successful Uniform Cost-Accounting Methods for Associations, working in conjunction with a Cost Committee of your Association.

9. The Uniform Cost Manual should be approved by a Cost Committee, adopted by the Association as the Official Uniform Accounting and Cost Plan of the Industry, and then duly copyrighted as the property of the American Spice Trade Association.

10. A regular program for the exchange of important cost and operating data should be put into operation, based on the Uniform Plan. Thru this medium individual members can become better informed as to how their own costs compare with the average results in the industry, and wherein they can improve their operating efficiency.

"I believe that if such a program of development is adopted, the value of the Association work will be greatly enhanced and become an even greater factor in the progress of your industry.

H. S. BARTHOLOMEW."

In view of conditions here and elsewhere set forth in this report, I recommend the entire proposition of Uniform Cost Methods for this industry be referred to the new Cost Committee under the recommended plan of operation for the Society, with instructions to confer with the Exec. V.P. and a suitable form of Cost Accountants, for the purpose of improving upon the present method of Standard Cost Practice.

The Committee should report to the Board of Directors a concrete and definite method and plan covering all details, to sell the entire operation to all members of the Society and the industry as a whole, together with the estimated cost of same based on universal acceptance and successful operation, as well as the estimated length of time required to bring the entire job to a reasonably profitable conclusion. The Board is then to decide as to whether or not the work is to be undertaken, and when.

Equipment Exchange

Occasionally a grinder has machinery in serviceable condition, but no longer useful thru changes in manufacturing policies. Some other grinder may be in need of such a machine. Obviously it would be good economy to dispose of this equipment, even at a low price, releasing the

space occupied for active work or storage facilities, while the owner recovers at least part of his capital investment, and the buyer secures materials he wants at a favorable price.

This is the function of the Equipment Exchange operating in many trade associations. Members desiring to avail themselves of the services of this department will advise the office of the Exec.V.P., describing the equipment they wish to sell - its history, condition, lowest price, terms, f.o.b. point, etc. Inquiries, offers or sales secured by this department of the Association will then be forwarded to owner-member for execution. There would be no charge made for the service. Recommend that this work be undertaken if the Board approves.

Legislation

This Association has generally been active in looking after its legal interests and its Committee on Legislation handles all such matters. These cover federal and state laws or regulations, tariff adjustments and conditions, and discriminatory or favorable resolutions of other bodies.

The Association being the only national organization representative of the Spice Trade, it is the logical spokesman and should be prepared to present a united front toward upholding its interests.

The subject of slack-filled packages in the various state laws presents a considerable field for work yet to be accomplished.

Cooperation with Other Organizations

If we recognize the great need for cooperation within our own industry, we must logically carry this out in regard to maintaining a close relationship with all organizations and institutions allied with or affecting the Spice trade. We cannot know too much nor have too many sources from which information and guidance can be secured toward improving our methods and our industry.

Contact should be maintained and cooperation extended to such bodies as:

All government departments,
Chamber of Commerce of the United States,
American Arbitration Association,
American Institute of Food Distribution,
National Fire Protection Association,

and such other domestic and foreign bodies as will further the progress of our Spice trade.

The Board of Directors should determine, upon recommendation of the Working Committees or the Exec. V.P., the particular bodies in which it is desirable and practical for the Association or its Exec. V.P. to maintain membership, thus enabling the Association and its office to

keep in touch with the activities of these bodies.

Cooperative Advertising and Research

Eventually this Association should undertake a cooperative consumer advertising campaign to check adverse propaganda regarding harmful effects of Spice in the diet, to check the decrease in public consumption, and to win back the tonnage lost in recent years. It has been truly said that "All things are possible to publicity", and the Spice markets should prove no exception. The first two chapters of this survey are forceful reasons why this step is vital to the prosperity of the Spice concerns.

Public opinion is being molded, has been molded, and will continue to be molded by publicity. Each new generation has new ideas absorbed thru current thought and opinion. The Spice trade has kept silent while many of its rivals in the diet are telling the world about their virtues. The result is apparent in the charts I have submitted.

The problem is one of mass education, in overcoming prejudice and disseminating favorable opinion. It is one of research to discover scientific facts around which to plan a new appeal for public consumption. The various Spices have never been thoroly analyzed by the new methods. There is no doubt that some of them have antiseptic and preservative qualities. Cloves, for instance, contain about 85% of Eugenol in its essential oil, and Eugenol possesses a highly antiseptic value. It has been repeatedly noted that workers in Spice plants are immune to influenza, grippe and colds. It is our duty to find out what other elements of value previously unrecognized are found in Spice. Then we will have a consumer appeal which will swing the public back to Spice for flavor and health in foods.

Thru the kind cooperation of Mr. H.J.Wright, Manager of Public Relations of the Great Atlantic and Pacific Tea Company, who was interested in furthering my research in the Spice trade, I was introduced to Dr. Lafayette B. Mendel, Sterling Professor of Physiological Chemistry in Yale University, who is a widely known food authority. Dr. Mendel is interested in flavor for foods, and kindly wrote me the following observations he has made in this field. It is introduced here as research evidence that flavor is desirable in foods, and that Spice is not a harmful ingredient. Dr. Mendel has reviewed my chapter on Food Trends, and states "informative and convincing".

"COMMENTS ON CONDIMENTS

"The important place of condiments in the diet is recognized in the federal Food and Drugs Act which so defines the word 'food' as to cover all articles used as food, drink, confection or condiment. It requires very little consideration to appreciate what experience has demonstrated the world over, namely, that the fundamental chemical ingredients of our diet, the so-called organic proximate principles, true nutrients, or foodstuffs -- proteins, fats and carbohydrates -- are, with few exceptions, unpalatable. Comparatively pure proteins, as they are represented by egg white (raw or cooked), gelatin as such, isolated casein from milk, the gluten of wheat, or the residue of meat remaining after extraction of non-protein ingredients and known as 'soup meat', are almost odorless and tasteless. They are therefore eaten only when served in combination with some condimental substance. Pure fats, such as the refined oils of the peanut, soybean and the corn kernel, lard, oleo oils, pure vegetable fats are rarely consumed as such. They are served as parts of flavored food mixtures and are given gustatory possibilities by the addition of salt, vinegar, etc., and 'cracking' by heat in cookery. Among carbohydrates the sugars alone form an exception to the rule of the bland, tasteless character of pure nutrients. Starches and starchy foods such as corn starch, potato flour, milled wheat flour, tapioca, farina, as well as cellulose, are so unpalatable as to be practically inedible. They are never served as such. The upshot of this is that a theoretically highly nutritious diet of pure proteins, fats and carbohydrates would utterly fail to receive acceptance unless it were supplemented by condimental materials.

"If one defines a condiment as something to give relish to food and gratify the taste, such substances are to be found in many natural food products that have already found a place in the dietary. They include inherent flavors and aromas of various plant and animal tissues and juices. Other condiments, notably the spices, are prepared in commerce from a large variety of natural sources; and in some instances they can be produced synthetically in the factory.

"In his review of the American Spice Trade, Mr. A.H.Doolittle has quite properly stressed some of the changing customs with respect to the use of spices in practical dietetics. This is due to the greater availability of competitive natural condiments such as fruits and vegetables at most seasons of the year and even in the smallest hamlet. Improved methods of conservation (e.g., desiccation, refrigeration, canning, freezing, chemical preservation) and greatly enhanced facilities of transportation have revolutionized the distribution of many food products that formerly had a limited, seasonal vogue or were too expensive for widespread consumption. The popularity of fruits and vegetables has been enormously extended by campaigns of education with respect to their well established nutrient virtues. Unforeseen competition is thus introduced into the field of condimental foods thru changes in food supply, scientific investigation, and present-day informational services.

"Such trends are not readily altered. There are, however, other aspects of recent culinary conditions that seem clearly to offer outstanding opportunities for a large increase in the use of condiments. This situation is the outcome of several factors. In the first place there has been a decline in recent years in cookery as a household art. The skilled cook has begun to disappear from the homes of all except the well-to-do. Domestic service has become unpopular. Cessation of immigration and changes in the economic status of women have contributed to the decrease in the number of household servants. As a consequence housework, and notably cookery, has become burdensome to the present-day housewife, who is deprived of the 'help' that her forebears enjoyed in large measure. Cookery and other household procedures have therefore been simplified. The gustatory aspects of food have become neglected. The joy of eating has given place to a routine of bland dishes. This has been accentuated further by the fear of obesity and the cult of the 'flapper form'.

"Other conditions have contributed to the present situation. Foremost, perhaps, is the development of the apartment house mode of living. The modern flat is not ideally adapted to elaborate domestic service or servants. There is little room for storage of perishables or for the maintenance of an elaborate larder. Ready-made dishes, ready-to-eat foods and simple meals are characteristic incidents of apartment house living. This 'drabness'can and ought to be dispelled by reawakening an interest in deleutable dishes and attractive repasts in which the condiments can surely be made to find a place.

"American food has become standardized to a degree that calls for corrective innovations. Bread, produced by a few large bakeries, is a uniform product -- everywhere the same. It is wholesome but lacks the variety of forms, flavors, textures, etc., that most of us really enjoy. Consequently bread has become a 'vehicle' for condimental foods that make it more enjoyable to the palate. Watch the 'hot dog' stand and note how the patron seeks a condiment to make the standardized bland sausage and the standardized bland roll palatable. Again, taste the average baked apple of the home or the restaurant and observe how unappealing it is. Suitable flavor and spicing are all too often lacking. Note the lack of taste appeal in most vegetables as they are cooked and served in this country. A score of additional illustrations could readily be cited.

"It is high time to promote the return of savory cookery. This must be accomplished by education as to the use and effects of condiments. American housewives are, as a rule, educated to the point of understanding and appreciating instructive propaganda. The popularity of the modern delicatessen shop is the proof of the appeal of 'tasty food' -- food made attractive by the intensive use of condiments of all sorts. The tricks for producing flavor and aroma must be unfolded to the present-day woman -- not left to be transmitted from mother to daughter or made an unexplained incident of the cook book.

"The food industries have found their fortunes in many instances in the promulgation of effective receipts. Witness as illustrations the

recent modes of promotion of gelatin and tapioca. American housewives need to be reintroduced to the possibilities of the spices and other condiments. A dish of prunes may be an unappealing breakfast necessity or a delicious food item. It depends on the proper use of suitable condiments. Cinnamon toast may be a delectable part of a menu; as ordinarily served it often represents a culinary atrocity. Meat and fish offer enormous opportunity for a return to savory products.

"There are styles in foods. Compare the breakfast of 1850 with the morning meal of today. Note the place of new cereal dishes and fruits in the dietary of 1931. This means that change is possible. The unappealing, bland American cuisine of today can be revised to produce pleasures of the palate. Education, to which the housewife is very susceptible today, ought to work wonders. The uses of sugar and mustard in cookery are already being taught in popular ways. Condiments offer the solution for individuality versus sameness in cookery.

"There is a physiological virtue in savory food. It promotes the flow of alimentary secretions and ushers in good digestion. Unpalatable food tends to inhibit some of the essential alimentary processes. Anorexia is an undesirable phenomenon. Far from being a detriment to good digestion and health, the condiments used in reasonable amounts may be regarded rather as a desideratum.

"Incidentally the marketing of spices could be greatly improved. The conventional trade packages lack novelty. They are either inconvenient for use or remind us of the days of yore. Even a package of cinnamon or cloves is susceptible of modernization. The color of paprika is very attractive. Why not let its beauty shine thru the carton?

LAFAYETTE B. MENDEL."

Advertising campaigns by cooperative associations are too numerous to list. The Sugar Institute campaign, however, parallels the Spice problem so closely that it can well be quoted from a bulletin describing the necessity for publicity. Incidentally, their advertising appropriation is one of the largest in cooperative advertising.

"REMOVING PREJUDICE BY TELLING THE TRUTH

"For over a year The Sugar Institute has been telling the truth about sugar and sweets by means of widespread advertising campaign.

"The need of such a campaign was very great. Not only was the sugar industry suffering as a result of undirected and misleading publicity that was sweeping the country, but the great industries that depend upon sugar in the production and consumption of their products were feeling the effects of this growing prejudice.

"This harmful publicity appeared in many forms. Writers and speakers on the subject of dieting urged against the use of sugar. Quacks and pseudo-scientists charged sugar as the cause of many serious ills. And from countless other sources came similar attacks.

"The method employed by The Sugar Institute to overcome this hostile attitude was not necessarily combative. Quiet, persuasive advertisements, stating the truth from start to finish about sweets, were placed in hundreds of publications. Every advertisement was submitted to and approved by a group of the nation's foremost food chemists, doctors and dentists.

"The attacks on sugar diminished in numbers and force after the evidence favorable to sugar was presented. Combatants began to give sugar its rightful place in the diet. Newspaper and magazine editors lectured the facts. And so today, instead of having merely subdued a hostile force, The Sugar Institute has enlightened the public and converted many opponents to the proper use of sugar.

"In planning the campaign for 1930 the same policy of honesty was ordered. However, more emphasis has been placed upon the importance of sugar as a flavor to make wholesome foods enjoyable. Such featuring of sugar naturally brings into prominence many products in which sugar is used in the preparation or the serving.

"As you read this booklet you will see how this has been accomplished. The many advertisements which are shown here and which will appear before millions of readers in America, not only tell the truth regarding the health value of sugar but promote the idea that 'most foods are more delicious with sugar'."

You will note from this campaign that the Sugar Industry did not stand by while their markets were swept away. They employed research to get the facts,then told the truth to the public in a persuasive manner. Of course, their volume is enormous as compared to Spice. Each industry, however, considers profits with equal interest.

In the March issue of "Food Distribution" I note that the Nebraska Millers' Association have voted unanimously to support a campaign to "clear from school text books all unfair and scurrilous references to white bread and white flour". It states that 21 States condemn white flour and more than seventy health books used in schools of various states "say unkind things about white flour and white bread". I would think it was about time for them to take action, and I trust the Spice trade will not wait that long.

I am not trying to sell an advertising campaign to this Association now. We are not organized to take advantage of one, we do not know enough about our product, and we could not finance it at this stage. I am trying to sell the thought that our industry needs the protection and the stimulation which only advertising or publicity can give, and that we must bend our energies toward putting our house in order and building up our bank account so that day will draw near.

If we had a million dollars for advertising right now I would veto that motion with all my might. I would never sanction increasing the demand until some of your members had learned more about trade ethics and practices, about selling goods at a profit and respecting the spirit of fair dealing. We only want to spend money for advertising to increase our profitable sales. We do not need advertising to increase the other kind.

The Spice trade is fortunate in marketing a product of such historical and romantic appeal. It lends itself splendidly to publicity in story form. But we must not permit its glory to be all in the past. It must not follow the history of hemp, which after five thousand years of recorded history, of wide usefulness in the home and on the sea, has now been superseded by more useful fibres and is nearly extinct. One good-sized hemp farm is now sufficient to supply all the wants of the United States, where formerly the farmers grew patches everywhere. Hemp had no organization to find new fields of usefulness and to defend its markets.

It is our hope that part of the necessary expense of cooperative advertising will be borne by those primary markets which will benefit equally with our own members in stimulating demand. What we can do in advertising will be determined later, as opportunity permits. That it must be done is self-evident.

Improving Selling Methods

The salesmen of the future must be held responsible for profits as well as sales. But before we censure the salesmen we must go higher up in the knowledge that the salesmen merely reflect the attitude of the management.

In the Spice trade the majority of concerns are closely owned and operated. This is ideal in one respect. It gives the actual operators of the business full sway to inaugurate every progressive business move they care to put into practice without selling the idea to Directors or Stockholders who are not familiar with the actual requirements.

On the other hand, when an executive is not accountable to others for profits or performance there is removed that insistent urge to go forward, to modernize, to be efficient and constructive. His job is not in immediate danger and unless he is strong and far-sighted the old methods are apt to cling too long. If his cost methods are loose he can sell Spice at an actual loss and not know that his profits come from other products.

There are a few Spice concerns which are part of larger corporations. The managers of these Spice departments are held accountable for volume and profit. They must make a favorable showing in their monthly reports based on scientific cost accounting which is always the first corporation move. Their overhead is spread over many lines, their costs are low, but they cannot sell Spice at a loss and retain their jobs.

The individual owner can dictate the selling policy of his business and the extent of his cooperation with his industry. The corporation manager is not always at liberty to work so freely as he is accountable for volume as well as profit and the extent to which he can work with his industry is sometimes limited by corporation policy.

But these two classes are in business for the same purpose, and have similar incentives to improve conditions, increase their outlets and make a better showing. In general, the Spice trade may be divided into three classes of merchandisers:

1. The seller whose aim is volume anywhere.

2. The order-taker who says "Please send us an order; we need it".

3. The creative, profit seller who renders a service.

The first two classes generally get their business thru cutting profits. They are the prey of shrewd buyers who play one against the other, sometimes with fictitious bids, in the knowledge that there is no bottom price. The failure to fight for a profit leads to a price chasm whose depths have never been plumbed.

The third class requires a high degree of intelligence, of ingenuity, of personality, and a product which, like Caesar's wife, is above suspicion. I do not refer to that class of ingenuity mentioned by the Associated Grocery Manufacturers of America in their "News Flashes" of March 28th,1931, which reads, "Those who think of planning merely as a matter of shrewd strategy in outwitting competitors and capturing markets from somebody else by individual ingenuity are living in the past".

What I have in mind is sound merchandise sold because of the service value which goes with it. Perhaps this value is the prestige of trade-marked advertising which has built up good will and trade demand. Perhaps it includes cooperation in merchandising plans and selling aids which makes the retailer turn over his stock more frequently. Perhaps it takes the form of constructive talks and intelligent schooling of customers' salesmen which gives them inspiration and facts to prove that this line is good. All of these, however, must wait upon broader fundamentals before they can fully blossom.

If I may quote further from the message sent out by the Associated Grocery Manufacturers of America, it will explain why the time is not ripe for definite planning of campaigns:

"The planning of business progress is impossible on a solo basis ---- it must be built on a broader basis if business is to mitigate or cure the competitive chaos. ---- Planning must come from the top down. -- It has become evident that the ultimate fortunes of the individual concern are linked with the broader forces of economic and social change which are moulding the future of industry. ---- The natural nucleus in which such cooperative planning and

coordinated action may be centered is the national trade organization ---- which offers an encouraging approach to this important problem of cooperative planning and coordinated action. ---- Meanwhile individual effort toward planning business progress will prove largely futile because it will resolve itself into more or less successful scheming on the part of each concern to keep afloat in the competitive chaos."

It will be the purpose of this office to attempt to improve the selling conditions of your industry, working from the top down to the actual methods and plans to increase sales at a profit. Much of this work will be expended in urging Fair Trade Practices and in missionary work designed to raise and improve the standards of selling.

Employment Exchange

This requires little comment. Thru this office, as a clearing house, applications can be received and experienced men supplied to those infrequent requests for employees trained in Spice production or sales. No charge to either party will be necessary, and no individuals employed by member companies would be accepted for handling without the consent of the employer.

Special Services

Many special services are always requested by members of trade associations, and it is the function of the association office to find ways and means of rendering such services wherever possible. Probably many other import commodities will be listed for study and trend comment, together with current stocks in warehouses on major items. These services will be built up as quickly as possible.

Improvement in grinding processes and costs will be a function of the Industrial Research Committee, and one phase of this activity can be mentioned here. I have been interested in the possibility of chromium plating grinding rolls to prolong their life between resharpening periods. Chromium plate is extremely hard and has a great resistance to abrasive action. In one industry this plating has increased the life of similar rolls ten times, in others eight to six times. The Chromium Corporation of America has inspected Spice grinding rolls and reported that they are excellent for plating.

Irrespective of the life of your present rolls between sharpening periods - and I find that this varies greatly - I believe that chromium plate will cut down your present costs two-thirds. In other words, to tear down a mill, have a roll recut, with transportation both ways, may cost $30.00 per roll, exclusive of shut-down time. It may cost another $30.00 to plate a roll. If the chromium plate retains its sharpness six times as long, it will cost $60.00 in that period as against $180.00 by present methods. On a battery of six rolls the saving amounts to $720.00 - a worth while effort. I will be glad to tell the individual members where this plate can be secured. I see no reason why other economies cannot be worked out for the benefit of our members to repay them for the Association dues they advance, as their membership should pay dividends.

General Office Operation

This review of the Spice Industry has attempted to show the general condition, to propose a series of activities to meet its requirements, and to outline the general plan of organization to carry on the work.

The general office is the Association's workshop and the clearing house for all activities carried on in the interest of the members and the industry. The operating staff is headed by the Executive Vice President, who is responsible for the inauguration and execution of all work and the general administration of the Association's affairs. Under the guidance and counsel of the Board of Directors and assisted by the advice of the various working committees, it is his duty to put into operation all steps in the Four-Year-Program and to integrate the efforts of all members in successfully meeting and dealing with the problems confronting the industry.

He is directly concerned with the general operation of the organization, the building of membership and the administration of Association finances. He arranges for all divisional meetings and conventions and supervises all surveys authorized, works out plans for market development, handles cases involving violations of fair trade practices and unethical business procedure, maintains contact with other trade bodies and interprets and advises the members regarding harmful or beneficial legislation.

The Assistant to the Executive Vice President, working directly under and responsible to him, is entrusted with much of the detail work, compiling and issuing reports of all kinds and the details in connection with the divisional meetings or conventions. He acts in the nature of a secretary at meetings of the working committees, handles much of the publicity work, and is available to work in conjunction with expert assistance on cost-finding problems; collects, compiles and releases statistical material, handles the Employment Bureau and Material Exchange, contacts with various governmental departments involving detailed reports, and investigates problems pertaining to freight and transportation.

Aside from the necessary clerical or stenographic staff, the paid operating staff of the Association is numerically small, and the general office organization simple and effective. When more help of a special nature is required to handle our increasing problems, the Board will be presented with the facts.

Budget

The entire Plan of Operation is based on the membership and support of not less than 100 Spice concerns, of which half are Grinders and half are in the Trader or Import class. In addition there should be an increase in Foreign Membership and some Sustaining Memberships.

The proposed dues schedule with present membership will secure in excess of $50,000 annually, and with projected membership, about $60,000. It is extremely important that the organization be well-

financed so that your paid workers can devote their entire time and efforts to industry improvement and market development and not be required to devote any large part of their time and attention to financing.

The annual budget for the first two years will approximate from $35,000 to $40,000, exclusive of any cooperative advertising campaign. It will be our aim to set aside as much surplus as possible toward building up an advertising fund to be used in conjunction with foreign funds for Spice promotion.

It should be the aim of the Association to start each activity as soon as practicable - that is, operate ahead of the schedule set up. The entire operation of the Association is so flexible that it is difficult to accurately state the estimated income or lay out a satisfactory budget. The figures presented are merely a temporary guide, altho I believe that we will not operate in excess of the budget mentioned. The demands of the various members upon our time and facilities will determine this, to some extent.

Please bear in mind this hard, cold fact: no one outside of your industry will do your job for you! Only those with invested capital in the Spice business, or those who derive their income from Spice, can pull their business out of its downward trend by constructive effort and financial support.

I have tried to outline the minimum requirements which will accomplish our purpose. A dollar saved is not a dollar earned in this case, - it is two dollars lost. Our progress could be greatly speeded up if our income was double what is proposed. Yet with the schedule contemplated we can carry thru.

General Remarks

The time at my disposal for making a survey of the Spice Trade and compiling this report has been too limited to accomplish a thoro and finished study. Practically none of the research on Food and Spice Trends was available in ready form and this foundation upon which the tone of the survey depends required the major part of my time. In a general way I have endeavored to cover the ground and to expand on the most important points.

In any plan of operation for the Association, and embracing as this does a number of activities of direct and indirect benefit, it would be unusual if there were not found some that would not appeal to one individual, while another in the industry would consider it of value. There is not one recommended activity in this report that is not based on sound and successful trade organization practice, and it is to be hoped that in their consideration and adoption personal or selfish viewpoints will be set aside in order that the greatest number may be served.

This report sets up an organization that can effectively deal with the problems of the industry, providing it receives majority support. Much of the work and possible accomplishments of an associated activity

of this type is intangible, difficult to estimate or measure, and still more complicated to set down in words. Some of it will be expressed in direct dollar profits which all can see.

I submit this Four-Year Program of operation for approval and adoption.

Respectfully,

Albert H. Doolittle

ALBERT H. DOOLITTLE

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